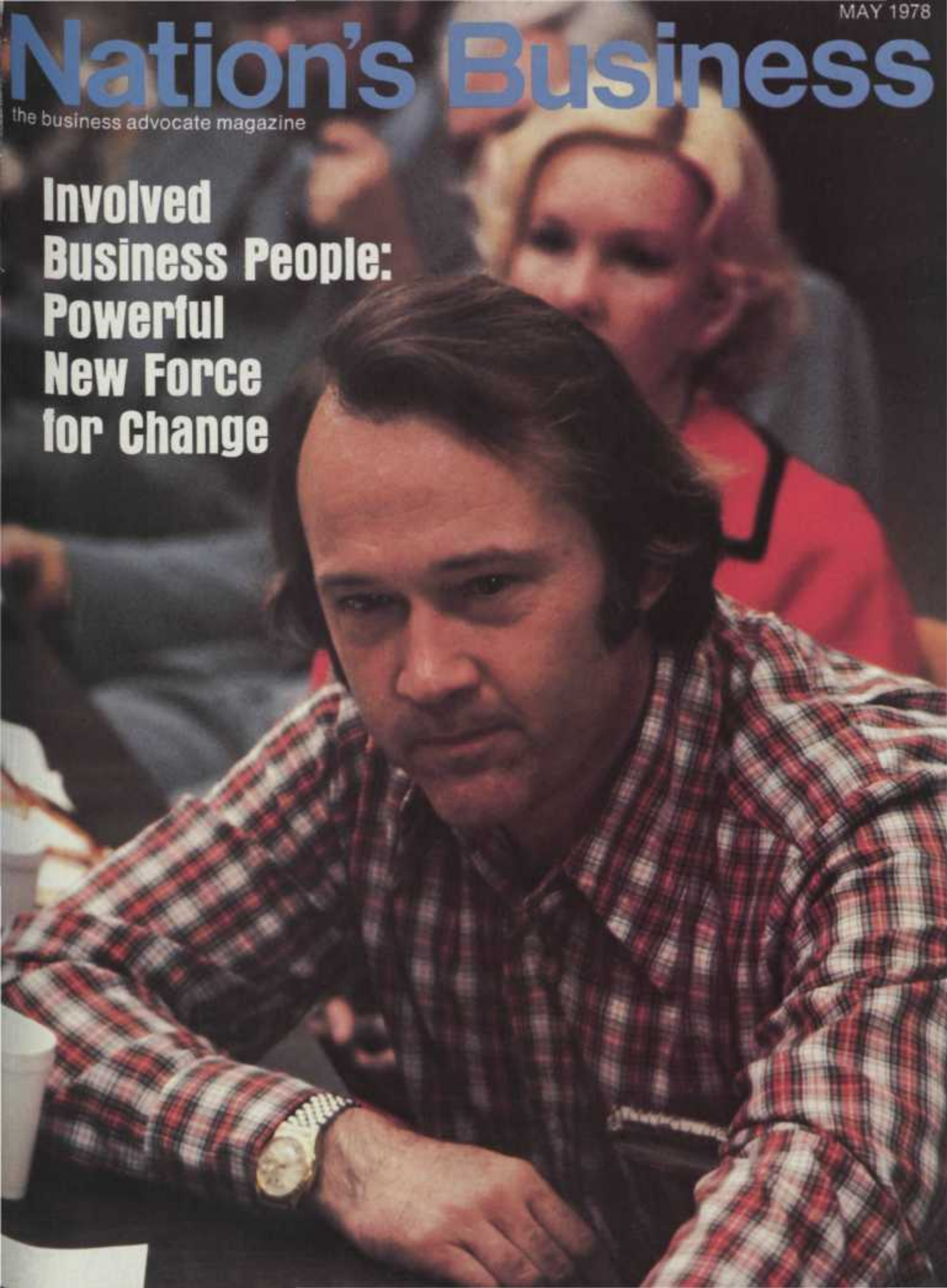


MAY 1978

# Nation's Business

the business advocate magazine

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Powerful  
New Force  
for Change**



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# Nation's Business

VOLUME 68 • NUMBER 5 • MAY 1978

Nation's Business is the business advocate magazine leading the effort to strengthen the private enterprise system to advance human progress.

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More Than You Know (Lena Horne)  
When the Saints (Louis Armstrong)  
Tangerine (J. Dorsey Orch.)  
Pennsylvania 6-5000 (Glenn Miller Orch.)  
Strings of Pearls (Glenn Miller Orch.)  
I'm Getting Sentimental Over You (Mel Tormé)  
Lady Be Good (Count Basie and the Orch.)  
When You Were Sweet Sixteen (The Ink Spots)  
Music Makers (The Harry James Orch.)  
The Last Time I Saw Paris (Johnny Desmond)  
Garden in the Rain (The Sportsman)  
I'll Be Seeing You (Kate Smith)  
Let's Get Away From It All (Tommy Dorsey)  
Sunrise Serenade (Glenn Miller Orch.)

### SOUNDSTAGE II SONGS (ARTIST)

These Foolish Things (Ted Weems)  
I've Heard That Song Before (Harry James)  
A Ticket, A Ticket (Ellie Fitzgerald)  
It's the Talk of the Town (Johnny Desmond)  
I Surrender Dear (Mel Tormé)  
Blueberry Hill (Louis Armstrong)  
Green Eyes (Tommy Dorsey Orch.)  
Navy Fights Song (Glenn Miller Orch.)  
Boogie Woogie (Tommy Dorsey Orch.)  
To Each His Own (Ink Spots)  
In the Mood (Glenn Miller Orch.)  
Yankee Doodle Boy (Norman Brooks Orch.)  
Moonlight Serenade (Glenn Miller Orch.)  
Sing, Sing, Sing (Benny Goodman Orch.)  
Frankie & Johnny (Lena Horne)  
You Made Me Love You (Judy Garland)

### SOUNDSTAGE III SONGS (ARTIST)

You'd Be So Nice to Come Home To (Kate Smith)  
Got a Pebble in My Shoe (Ellie Fitzgerald)  
Don't Get Around Much (Duke Ellington)  
I've Got a Crush on You (Frank Sinatra)  
This Can't Be Love (Johnny Desmond)  
Somewhere Over the Rainbow (Judy Garland)  
Don't Fence Me In (Shep Fields Orch.)  
Moonlight Cocktail (Glenn Miller Orch.)  
So Rare (Jimmy Dorsey Orch.)  
Bugle Call Rag (Benny Goodman Orch.)  
If I Didn't Care (Ink Spots)  
Twilight Time (Les Brown Orch.)  
Heartaches (Ted Weems)  
Taking a Chance on Love (Tommy Dorsey)  
Red, Red Robin (Sportsman)  
I'm Getting Sentimental (Tommy Dorsey)

### SOUNDSTAGE IV SONGS (ARTIST)

Ghost of a Chance (Mel Tormé)  
When I Take My Sugar (Shep Fields Orch.)  
Side by Side (Kate Smith)  
Harbor Lights (Shep Fields Orch.)  
Woodchoppers Ball (Woody Herman Band)  
Swanee River (Tommy Dorsey Orch.)  
Best Things in Life Are Free (Frank Sinatra)  
Elmer's Tune (Lawrence Welk Orch.)  
Cuddle Up A Little Closer (Ink Spots)  
Flat Foot Boogie (Louis Armstrong)  
Little Brown Jug (Glenn Miller Orch.)  
That Old Devil Moon (Johnny Desmond)  
Somebody's Taking My Place (Ted Weems)  
Sophisticated Lady (Duke Ellington Orch.)  
Wish You Were Here (Judy Garland)  
Don't Squeeze Me (Lena Horne)

### SOUNDSTAGE V SONGS (ARTIST)

Velvet Moon (Harry James Orch.)  
I Wonder Why (Bing Crosby/Judy Garland)  
I Had the Craziest Dream (Harry James)  
Ain't Misbehavin' (Fats Waller)  
A Slow Boat to China (Dick Haymes)  
I'll Be Around (Anita Ray)  
Tuxedo Junction (Glenn Miller Orch.)  
Song of India (Tommy Dorsey Orch.)  
Blue Skies (The Sportsman)  
Habanera (Glenn Miller Orch.)  
Perfidia (Billy Daniels)  
If I Had You (Benny Goodman Orch.)  
Red Sails in the Sunset (Sportsman)  
Swing Low (Tommy Dorsey Orch.)  
People Will Say We're in Love (Kate Smith)  
Rock-a-Bye Basie (Count Basie Orch.)

### SOUNDSTAGE VI SONGS (ARTIST)

You Do Something to Me (Frank Sinatra)  
Kalamazoo (Glenn Miller Orch.)  
All of You (Johnny Desmond)  
Me and My Shadow (Shep Fields Orch.)  
Music Maestro Please (Tommy Dorsey Orch.)  
All or Nothing at All (Billy Daniels)  
Oh, Look at Me Now (Dick Haymes)  
At Last (Glenn Miller Orch.)  
Coffee Time (Les Brown Orch.)  
But Not Like You (Benny Goodman Orch.)  
Sunday Kind of Love (Anita Ray)  
April in Portugal (Ted Heath Orch.)  
I've Got the Sun in the Morning (Bing Crosby)  
This Love of Mine (Tommy Dorsey Orch.)  
Linger Awhile (Shep Fields Orch.)  
The Man With a Horn (Harry James Orch.)

### SOUNDSTAGE VII SONGS (ARTIST)

Say It Isn't So (Ted Weems)  
Rock-a-Bye Your Baby (Judy Garland)  
Chattanooga Choo Choo (Glenn Miller Orch.)  
Maria Lane (Tommy Dorsey Orch.)  
April in Paris (Count Basie Orch.)  
The Poor People of Paris (Lawrence Welk)  
Don't Worry 'Bout Me (Mel Tormé)  
Poor Butterfly (Benny Goodman Orch.)  
Marie (Tommy Dorsey Orch.)  
Isle of Capri (Shep Fields Orch.)  
Sentimental Journey (Les Brown Orch.)  
American Patrol (Glenn Miller Orch.)  
Peanut Vendor (Snash Kanton Orch.)  
Just You, Just Me (Frank Sinatra)  
My Heart Stood Still (Dick Haymes)  
Frenesi (Al Goodman Orch.)

### SOUNDSTAGE VIII SONGS (ARTIST)

Serenade in Blue (Glenn Miller Orch.)  
When My Sugar Walks (The Sportsman)  
So Far (Dick Haymes)  
Prelude to a Kiss (Duke Ellington Orch.)  
Stompin' at the Savoy (Benny Goodman Orch.)  
There Are Such Things (Tommy Dorsey Orch.)  
Get the World on a String (Bill Daniels)  
A Fine Romance (Shep Fields Orch.)  
Blue Moon (Les Brown Orch.)  
Cherokee (Charlie Barnett Orch.)  
Full Moon Empty Arms (Lawrence Welk Orch.)  
I Know Why (Glenn Miller Orch.)  
It Ain't Necessarily So (Pee Wee Orch.)  
Jeepers, Creepers (Louis Armstrong)  
Tennessee Newsboy (Frank Sinatra)  
Moonglow (Al Goodman Orch.)

### SOUNDSTAGE IX SONGS (ARTIST)

I Found a New Baby (Benny Goodman Orch.)  
I've Got My Love to Keep Me Warm (Les Brown)  
I'll Never Smile Again (Tommy Dorsey Orch.)  
Let's Put Out the Lights (Shep Fields Orch.)  
I Can't Believe That You're in Love (Mel Tormé)  
After You've Gone (Benny Goodman Orch.)  
Blue Champagne (Glenn Miller Orch.)  
Stardust (Al Goodman Orch.)  
Sleepy Time Gal (Harry James Orch.)  
Hold Tight (Andrew Sisters)  
Tenderly (Kate Smith)  
I Can't Get Started (Johnny Desmond)  
Pella Dots and Moonbeams (Frank Sinatra)  
Claire De Lune (Glenn Miller Orch.)  
This Time the Dream's on Me (Dick Haymes)  
Chasing Rainbows (Lawrence Welk Orch.)

### SOUNDSTAGE X SONGS (ARTIST)

Ten O'Clock Jump (Count Basie Orch.)  
There Must Be a Way (Shep Fields Orch.)  
Anvil (Glenn Miller Orch.)  
I Can't Give You Anything (Mel Tormé)  
Who's Sorry Now (Kate Smith)  
Don't Want to Walk (Anita Ray)  
Sunny Side of the Street (Tommy Dorsey)  
Come Rain or Come Shine (Kate Smith)  
Sleepy Lagoon (Harry James)  
Drigo's Serenade (Glenn Miller Orch.)  
There's a Small Hotel (Johnny Desmond)  
Don't Be That Way (Benny Goodman)  
Champagne Waltz (Lawrence Welk Orch.)  
Once in a While (Tommy Dorsey Orch.)  
Begin the Beguine (Al Goodman Orch.)  
Why Was I Born (Frank Sinatra)

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*"As energy concerns increase, think twice about driving 50 or 100 miles to the office of a supplier, customer, or consultant. Maybe you can break the routine with a phone call."*



*"Many businesses handle marginal accounts by sending the customer a catalog, then calling by Long Distance at specific times to take the order. This eliminates expensive personal calls, yet the customer is grateful for your service."*



*"Taking orders by phone is the start of centralizing operations. While you're talking, you can tell about new products, price changes. You can cross-sell other products. You can discuss order status, answer inquiries."*



# "There are times when getting on the phone makes more sense than getting on the road."

—Bob Meade, Bell National Account Manager



*"The average cost of an industrial sales call today is \$71.27.\* Making a phone call before the sales call can tell you if you have the right prospect, if you'll be talking to the actual decision-maker, if that person has time for you. Long Distance can save a lot of grief."*

\*Laboratory of Advertising Performance, Lab Report #8013.3, from McGraw-Hill Research

In this era of energy concerns, with traffic choking the road, it's often a good idea to think first of using the phone.

When you look at the phone this way—as a means of saving time and increasing revenue—you begin to see the phone's business potential.

In case after case, the Bell System has helped business tap this potential. It has shown firms how to generate new business, reduce potentially "uncollectible" bills—and more.

If need be, the Bell Account Representative will set up a program (based on researching the company's business); recommend the most flexible phone setup; and train employees in telephone techniques that make a program work.

So if you want to get on with the business of increasing profit, there's a way.

Get on the phone.

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**Bell System**



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"Why did I choose Vantage? Because I like it."

*Michael D. Epperson*

Michael Epperson  
Miami, Florida



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# The Nation's Business WASHINGTON LETTER

► **NO WAGE-PRICE CONTROLS** in foreseeable future.

That's word from President, hailed by business leaders as a move in the right direction.

Only justification for controls, says Mr. Carter, would be in time of national emergency.

What is national emergency? War--his example.

► **PRESIDENT'S ANNOUNCEMENT** on wage-price control issue comes as inflation, America's nemesis, moves into very high priority spot in Washington.

► **WHOLESALE PRICES** continue to climb. Labor Department's index of producers' finished goods jumps 0.6 percent in March, which is annual rate of 7.2 percent.

Rise was less than the leap in February's index--about half--but administration's Council on Wage and Price Stability warns that inflation "shows no sign of abating."

Council says new efforts needed to help check rising prices.

► **PRESIDENT CALLS** on business, labor to hold down wages and prices.

White House formula sees no increases above average hikes during past two years.

Mr. Carter tells country federal government will take leadership role in fighting inflation, set example for rest to follow.

His proposals:

Cap white collar federal comparability pay increase at 5.5 percent. No wage raise at all for federal appointees, including cabinet, White House aides.

Also pledged: Veto if Congress does not hold line on spending within

limits proposed by administration.

President calls on governors, local leaders to hold down state and municipal worker pay boosts.

► **SUCCESS OF INFLATION-FIGHTING** efforts dubious at best, economists tell us.

Most federal employees will still get annual step increases in pay.

America's 600,000 postal employees are independent of any cap placed on federal wages. Contract covering these workers expires in July. Postal union bosses indicate they'll press for more.

Also, this year sees congressional elections. How many extra goodies will congressmen try to get through to please constituents back home?

Something to watch in your district.

► **UNION COAL MINERS** already set stage in private sector.

Miners will get wage and extra benefit hikes of 39 percent over next three years.

Will other union members seek less? Doubtful.

► **BUSINESS CONCERN** about inflation is justified, and fear of recession is as strong as ever.

Inflation impacts on your business.

But it impacts on your personal life as well.

Food costs generally are on the upswing, estimated by Agriculture Department to be six to eight percent higher this year than last.

► **THAT SIRLOIN STEAK** you bought last year for \$1.82 per pound now costs \$2.03.

Porterhouse steaks, up from \$2.27 to \$2.51 per pound. Round steak has



climbed to \$1.88 per pound from \$1.74 last year.

Cereal (one brand) now costs 60 cents for a 12-ounce package. Last year, it cost you 53 cents.

Apples have increased from 37 cents per pound to 41 cents. Oranges, from \$1.17 per dozen to \$1.46.

► **ARE YOUR CHILDREN** about ready to enter college?

Watch out.

Prices are up in this area, too, and all indications show they will continue to climb.

Study conducted by College Scholarship Service of the College Board, a non-profit organization, reveals a resident student at a private, four-year college beginning this September will spend an average of more than \$5,000 by end of academic year.

That's \$20,000--not counting future inflation--for a four-year college education.

► **CUT GOVERNMENT SPENDING.** That would go a long way toward cure for inflation, business leaders tell us.

Will spending be cut? All indicators say it will not.

President expected to propose ideas on national health issue shortly, possibly in a month.

Sen. Edward M. Kennedy (D.-Mass.) and labor leaders pushing President to move quickly on health issue, despite much Washington agreement that mounting health costs should be contained--first.

Health proposals being considered would add billions of dollars to government costs, at a time when deficits are very high.

Chamber of Commerce of U. S. experts on health issue predict proposals now discussed will cost added \$15 billion to \$80 billion.

► **URBAN AID PLAN** unveiled by White House would cost \$8 billion-plus.

Plan designed to help financially troubled central cities and to promote rational growth and fiscal health, generally, in urban areas.

But already, spokesmen for groups

representing cities, states, and government worker unions say plan does not go far enough.

Many indicate more money will be required to solve problems plaguing urban areas.

Who pays for all this? You do.

► **BATTLE ON LABOR LAW** changes may come to head this month or next--or possibly not at all.

Those close to issue say head count in Senate shows not enough supporters of the bill to override a filibuster--which opponents are ready to conduct.

Possibility exists, we're told, that Senate leadership may sit on the bill, not wanting to tie up Senate with another long fight.

Outcome depends on lobbying efforts--on both sides--that will occur in next few weeks.

It's that close.

The bill--now labeled S. 2467--still seeks more organizing power for unions, at expense of employers.

► **SMALL BUSINESS TAX REFORM** proposals drafted by National Chamber will help "generate significant additional after-tax profits as compared to those generated under present law."

That's word from Harold J. Bobys, managing partner of Washington-based Alexander Grant and Co., one of top ten accounting firms in U. S.

Firm conducted case studies based on National Chamber proposals. Result: substantial improvement in small firms' profit-earning abilities.

National Chamber's proposals have been presented to Congress.

► **MORE DOLLARS** in unemployment insurance were paid in the past seven years than during the previous 32 years of the program's existence.

You, as employer, paid for most of that outlay.

Labor Department reports that nearly \$126 billion has been paid to unemployed workers since the program began in the 1930's. About 59 percent of that--more than \$74 billion--was expended from 1970 through 1977.





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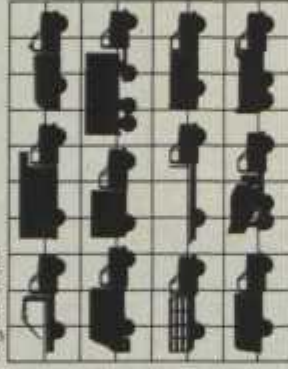
With choice of 11 different wheelbases, Chevy Mediums accommodate bodies for city delivery, construction, off-road, farm and many other vocational applications. The wheelbases range from 125" to 254" on single axle models, and 149" to 209" on tandem axle models. Whatever your choice in back, up front Chevy Medium's compact

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## The Steel Industry and Pricing of Imports

In his article, "The Protectionist Threat to Economic Growth" [March], Dr. Donald S. Kemp charges that "protectionist sentiment is alarmingly strong among individual special interest groups who are working hard to promote their particular causes." Dr. Kemp also denounces import tariffs as "subsidizing an inefficient industry," charging that such tariffs are requested only because of an industry's "inability to manufacture its product at a price competitive with those of foreign producers."

Dr. Kemp neglects to say, however, who these special interest groups and inefficient industries might be.

Because Bethlehem Steel Corp. and other members of the domestic steel industry have been so much in the news recently in connection with steel imports, it would not be surprising if readers of NATION'S BUSINESS inferred that steel was one of the unnamed industries alluded to in Dr. Kemp's article.

At the risk of it being said that Bethlehem doth protest too much, let us try to set the record straight on this matter by quoting from two public statements by Bethlehem's top executives.

Lewis W. Foy, Bethlehem's chairman, told the New York Society of Security Analysts on March 9:

"We haven't been asking for subsidies or quotas to resolve the import problem. What we want is vigorous and effective enforcement of trade laws which were designed to prevent damage to any domestic industry—not just the steel industry—because of unfair trade practices.

"While the domestic steel industry has some old facilities, it is, on the whole, fully competitive with the Europeans and, in our own market, competitive with the highly touted Japanese mills. We've been modernizing and improving our facilities steadily to remain strong and competitive. The industry's capital investment in the past five years totals almost \$12 billion."

On March 13, Frederick W. West, Bethlehem vice chairman, told public utility executives in St. Louis:

"We're not complaining about foreign competition per se. As long as it's fair competition, as long as steel imports are priced to cover full delivered costs, we think we can meet the competition. I'm convinced that the American steel industry is the low-cost supplier to the domestic market. But there's plenty of evidence that most of the imported steel that's harming the domestic industry is being sold at less than fair value. In other words, it's being dumped, and dumping is against the law.

"As a matter of fact, the government finally admitted as much last October. President Carter agreed that there was a lot of dumping going on, and that's what led to the so-called trigger price system."

We do not know the views of those

phantom groups and industries referred to by Dr. Kemp. But we did want NATION'S BUSINESS readers to know the views of a real company in a real industry threatened by imports.

**RICHARD F. SCHUBERT**  
Vice President, Public Affairs  
Bethlehem Steel Corp.  
Bethlehem, Pa.

### Differing with Mr. Dowling

In your March letters column, Michael Dowling ["A Dissent on Government Contracting Out"] asserts that contracting out has been a terrible failure in state and local government. His statement is not borne out by the facts.

In recent years, for example, seven major studies have compared the performance of municipal departments and of private firms in collecting resi-

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dential refuse. The studies have examined cities in Connecticut, in Illinois, in Utah, in the Midwest, in the United States as a whole, in Canada, and in Switzerland.

All came to the same conclusion: Service by private firms under contract to cities is substantially less costly, on the average, than municipal collection.

In U.S. cities larger than 50,000 in population, municipal collection costs the citizens about one third more than contract collection, despite the fact that private firms pay taxes that local governments do not.

The recommendation that emerges from these findings is that governments are well advised to consider contracting out services, and not to continue old ways automatically.

**E. S. SAVAS**  
Director, Center for Government Studies  
Columbia University in the  
City of New York,  
New York, N. Y.

Michael Dowling, director of public affairs for the American Federation of State, County, and Municipal Employees, is completely in error.

The state of Washington has in its statutes excellent contracting out laws

which have served the taxpayer well and without corruption. Contracting out has been a success.

The Citizens Budget Commission of New York, in a study, reported that "for the same cost, the city could get 45 percent more streets resurfaced if it employed private contractors." Scottsdale, Ariz., uses a privately owned company to furnish fire protection which does a better job than most municipally managed fire departments, according to city officials. The cost to Scottsdale residents is \$11 per capita—less than half the national average for fire protection.

Mr. Dowling pointed out there frequently is no competitive bidding. That is the fault of the city for not requiring competitive bidding.

**STEVE R. WASHBURN**  
Director, Governmental Affairs  
National Electrical Contractors  
Association of Washington  
Seattle, Wash.

#### BLS price gauge

Apparently you had outside help in determining, on page 58 of your March issue ["Taking America's Economic Temperature"], the price of bread under the new wholesale price indexes. My calculations show only a ten per-

cent boost instead of the 11.1 percent increase reported. Was the Bureau of Labor Statistics involved?

**JIM HARTJE**  
Engineer Accountant  
Atlanta, Ga.

[Editor's Note: Yes. BLS reports the rise at the finished goods level takes into consideration that flour destined for use in households is also a finished good. The 11.1 percent reflects this part of the increase in the price of flour and the increase in the price of bread.]

#### The reapers

I found your article, "Who Will Reap the Mineral Riches of the Deep?" [March] impressive. My conclusion from the article, along with information from other parts of the issue, is this: With President Carter's encouragement of inflation, budgetary support of more business regulation, discouragement of investment, plus protectionism and the falling dollar, countries with strong currencies will be able to buy American mining expertise, and we shall take one more step toward the colorless cast of Great Britain.

Looking at some excellent Dutch mussel machinery as we are, we figure that the brain drain starts when the guilder passes 50 cents.

**EDWARD MYERS**  
Abandoned Farm, Inc.  
Damariscotta, Me.

I was intrigued by "The Sea: Farmland of the Future" which ran with your article, "Who Will Reap the Mineral Riches of the Deep?"

One aspect of the sea as a source of nutritious, low-cost food was not mentioned. Through my small research company, Swanson & Associates, I have developed during the past five years formulae and technology that produce an array of very palatable, aesthetically acceptable products at relatively low cost.

I use the minced flesh from underutilized fish species such as carp and mullet from fresh waters and pollock, blue whiting, and V-cut cod from salt waters.

The product array includes entrées, seafood-flavored hot snacks, sausages (breakfast-type and salami-type), cold cuts, tidbits for casseroles, and baked loaves (meat loaf-type).

There are tens of thousands of tons of these underutilized fish now going to waste, but readily available.

**EMERY C. SWANSON**  
Swanson & Associates, Inc.  
Minneapolis, Minn.

### Small business owners...

## Did you pay too much income tax this year?

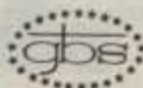
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## How Our Public Schools Can Do a Better Job

**T**O BEGIN by remarking that our public schools are in trouble is to invite a sarcastic rejoinder: So what else is new? Our public schools are always in trouble. But I have been keeping an eye on education for nearly 40 years as reporter, editor, parent, PTA member, and now grandparent, and I cannot recall a time when conflicting pressures on the schools have generated so much steam.

The years have taught me to beware of the word crisis. Not many situations qualify as crises. I doubt that the problems that bedevil our schools add up to a desperate fix, but I am certain of this much: Criticism of public education is sharper than it has ever been in my lifetime. Within that slow, slumbering mass of intellectual protein known as the taxpaying public, the mood is shifting from passive irritation to active rebellion. Those whose lives are most intimately bound to public education will have to roll with this rebellion in some fashion or be rolled over. State and federal legislators, who have contributed so richly to the festering mess, have a vast deal of rethinking to do.

The problem, at bottom, is quite simply a problem of confidence. In ever-increasing numbers, the people are losing—or already have lost—a high level of confidence in the competence of their public schools. Evidence of this decline turns up in the public opinion polls; it often is manifested more dramatically at the precinct polls. Bond issues fail; local school tax increases are rejected. In desperation, administrators close the public schools for want of money to keep them running—and the people say, let 'em stay closed.

**O**UR NEWSPAPERS' editorial offices receive a steady stream of letters protesting conditions in the schools. Hundreds of such letters come my way every year. Let me try a kind of composite sketch of how a typical taxpayer sees a typical big city high school.

In this school, it is popularly supposed, none of the basic subjects are taught any longer. Students are not reading the great works of literature; they are not writing weekly themes or conjugating Latin verbs or working out problems in algebra, physics, and trig. They are not studying history or biology or even basic carpentry or home economics.

How, then, are these hypothetical students passing the time of day? They are engaged, it is widely supposed, in sex education. Or driver education. Or nutrition education. Or health education. Or they are taking a day off while the teachers, if they're not on strike, are attending a union meeting. Mainly, it is thought, the students are goofing off. Most of the boys are stoned; half the girls are pregnant.

This urban high school, it is thought, is an island fortress in a parking lot sea. The students are attack-

ing with switchblade knives; the teachers are fending them off with bicycle chains. Vandalism rules by night and day. The purpose is not primarily to learn; the purpose is primarily to survive. No one ever gets expelled.

Here one finds 22 basketball courts, five football fields (one of them reserved for the majorettes and the marching band), and a swimming pool that covers six acres. A faculty enumeration finds 27 coaches—but only one librarian.

**A**ND SO ON. The picture is absurdly overdrawn. It scarcely needs to be emphasized that this unrecognizable school system, in my own lifetime, has produced graduates who went on to explore the moon, to master computers, to run business enterprises, to edit



newspapers, and by the thousands to live constructive, productive, generally rewarding lives.

But caricature depends upon a basic resemblance. The picture contains recognizable features. Vandalism, for example, remains an appalling problem. A Senate committee discovered that, in some school systems, more money is spent to repair smashed windows than is spent to buy new textbooks. The discipline of unruly students turns young principals into old men. In many cases schools have indeed been closed by teacher strikes. Standard aptitude tests reflect steadily declining scores. Employers are heard constantly to complain that high school graduates cannot read, cannot spell, cannot comprehend directions, cannot even make change from a \$10 bill. We have the most expensive system of public education in the world—per pupil outlays now approach \$1,500 per year—and the system is producing a shocking percentage of functional illiterates.

These charges—charges that could be much expand-



ed—have produced a feeble and defensive response from beleaguered educators. As for the aptitude and competency tests: The statistics are misleading and the tests are culturally biased. The poor scores are not a reflection upon the schools; they are a reflection upon broken homes, divorce, alcoholism, television, racial tensions, and a disadvantaged living environment. The public schools, it is contended, are still inadequately financed; teachers are still too poorly paid. If there is anything truly wrong—and it seldom is conceded that anything is truly wrong—it is nobody's fault, exactly. And anyhow, it's all exaggerated.

**T**HE TAXPAYING PUBLIC, I suggest again, is not buying this bill of goods. Virginia the other day became the 37th state to mandate some form of competency testing. The people, through their legislatures, are demanding evidence of solid academic accomplishment. In one jurisdiction after another, the cry is "back to basics!" At the level of the United States Congress, both the House and Senate are itching to pass some form of tuition tax credits that might help to preserve private schools as an alternative to the floundering public system. In many other ways we are witnessing an eruption of resentment against an institution that once was the most loved and cherished and respected of all American institutions—the public school.

How did it happen? Let us count the ways. Within the temples of professional education, there arose cults of innovation. The publishers of textbooks and the manufacturers of gimmicks profitably urged these causes on. Long neglected by parsimonious state legislatures, the poorly organized teachers yielded to the temptations of unionism. Teaching gradually ceased to be an honored vocation for dedicated men and women; it became a job. Meanwhile, the permissiveness that infected the classroom infected everything else. For an entire decade, the cry was to "do your own thing!" or "let it all hang out!" Caught up in this folly, a well-intentioned Congress provided billions for the educational bureaucracy to expend on grants, experiments, and addleheaded ventures in academic whoopee.

The educational establishment may properly be saddled with much of the blame for the mess we are in, but there is blame enough to go around. The public schools have been given more responsibility than they ought to bear. It is enough, God knows, to ask them to teach the fundamental subjects. If the schools performed that task well, they would earn enormous gratitude. But society, operating through influential pressure groups, demands much more. You name it, the schools are supposed to teach it: health, energy, nutrition, consumerism, free enterprise, drug abuse, brotherhood, sexual understanding, family relations, automobile operation, career education, social skills, and the development of esteem for oneself. Teachers and principals are expected to function as educators, parents, nurses, nannies, judges, prosecutors, juries, guidance counselors, referees, ministers, psychiatrists, nutritionists, confessors, disciplinarians, and dispensers of first aid. Are the schools in trouble? Ask any member of a school board.

**W**HAT CAN be done about it? The nation's school boards, I think, can do a lot about it. The men and women who serve on these boards, poor devils,

catch it from every side. Taxpayers and city councilmen demand that they spend less; teachers, parents, and textbook drummers demand that they spend more. Local editors are howling for discipline; the civil liberties lawyers are howling for due process. When nothing else is going on, a swinging singles English teacher, doubling as drama coach, wants to stage "Oh! Calcutta!" in the name of academic freedom. Board members—many of them, anyhow—resent the federal controls that go with federal grants, but they love the federal money. They wear perpetually puzzled looks as they struggle to comprehend the educators' jargon. Contemplating the schools' troubles, the typical board member is like Mehitabel the Cat: What did I do to deserve all these dam' kittens?

Those who are charged with immediate responsibility for the schools might well begin with problems of communication. They ought to crack down on the educators who rattle on about "prioritizing meaningful linkages" and "institutionalizing self-renewal mechanisms" and "facilitating reciprocal nuclei along technical interfaces." This kind of infuriating peach fuzz has fostered tremendous public resentment against education generally. If public confidence is to be regained, confidence understandably must be wooed.

Second, it seems to me that redoubled efforts must be made to restore discipline—not merely the discipline of just punishments, promptly imposed, but the discipline of the intellect as well. This means a restoration of values that once were widely respected: accuracy in speech and computation, punctuality, neatness, obedience to responsible authority. It means a restoration of those conditions of order that are indispensable to freedom. It is the discipline of the best as opposed to the merely good, the discipline that teaches young eyes to recognize sham when they see it.

Third, school authorities ought to stop being timid on this business of teaching moral values. Somehow, a notion has crept into the educational bloodstream that the public schools should be morally, ethically neutral. The notion is nonsense. Without sacrifice to their basic academic responsibilities, teachers ought reasonably to be expected to promote right conduct. Honesty is a moral value—simple honesty. So is kindness a moral value. Fairness, justice, industry, generosity—these are values to be woven into the whole fabric of education. And there's nothing wrong with teaching a little patriotism, either.

**N**OW AND THEN, when I get wrought up about these matters, people in education say I am being naive. I don't understand the complexities of today's youth. There's more to education, I am reminded, than Shakespeare's plays and Caesar's "The Gallic Wars." Granted.

But I know, because I have been there, that our schools once maintained the atmosphere and the attitudes and the values I am speaking of. Once vandalism was contained. Once large areas of a child's upbringing were left for good or ill to parents, brothers, sisters, and the neighborhood. Those conditions can be restored, and eventually they will be restored, if only because a fed-up public will refuse to tolerate the shoddy and the second-rate any longer. □



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## A LOOK AHEAD FROM WASHINGTON

### An Awakened Senate Poses Dilemma for Labor

Revamping the National Labor Relations Act remains the high-priority goal of organized labor, but time is now a serious problem for union leaders and their advocates on Capitol Hill.

S. 2467, which is referred to by labor leaders as a reform bill and by business as a labor leaders' bill and which was shoved aside by the lengthy debate on the Panama Canal treaties, now may come up for consideration this month or next. Or maybe not at all this year—because the Senate calendar is growing weighty. Too, organized labor may want to wait a bit longer until the memory of the coal strike grows dimmer.

Labor-scene observers say that, if the bill had been brought to the Senate floor for a vote last fall, it might have passed. And the odds were still in favor of passage had the vote been taken earlier this year. But observers say the outcome of a vote this month would be too close to call.

And these same observers, while agreeing that the protracted coal strike has solidified public opinion against more power for unions, say the most important factor in changing sentiment in the Senate has been the logical arguments presented by a coalition of business organizations and firms led by the Chamber of Commerce of the United States, which is continuing to actively oppose passage of the legislation.

### Equalized Aid Advocated for Displaced Businesses

The General Accounting Office recommends that Congress equalize the treatment of those whose homes and businesses are displaced by federal or federally assisted projects, such as construction of highways.

GAO says the federal relocation program, handled by as many as 13 agencies, is "inconsistent, inequitable, and confusing," resulting in displaced homeowners and businesses being treated differently.

In addition to the fair market value of the real property involved, displaced businesses are paid either actual costs for moving and related expenses or an in-lieu-of-moving expense payment up to \$10,000.

However, says GAO, federal agency regulations differ on how to compute the amounts. GAO recom-

mends establishment of a central organization to oversee uniform relocation procedures.

Also, suitable replacement quarters must be available before homeowners are displaced, but this does not apply to businesses, GAO notes. And homeowners can get financial help toward paying higher rent or purchase prices, but businesses cannot. GAO has urged Congress to change the law to provide added benefits to displaced businesses.

### Regulatory Threat Faces Product Liability Insurers

Presently the federal government doesn't exercise any legal or regulatory oversight of the insurance industry, but Rep. John J. LaFalce (D-N.Y.) has introduced omnibus legislation that, among other things, would create a Federal Insurance Commission to regulate insurers where state regulation is considered deficient.

His bill results from a recent House Small Business subcommittee report on the product liability insurance problem for smaller firms, particularly for those that manufacture products such as tools and machinery.

The bill includes tax deductions for cash amounts contributed to a product liability trust, the purpose of which would be to pay product liability claims and expenses.

Also, Rep. LaFalce advocates clarifying and simplifying tort law relating to product liability by formulating federal standards, which would be mandatory after two years for states that fail to conform.

Business organizations favor reform of tort law at the state level and resist federal regulation of the insurance industry, which traditionally has been done by the individual states.

Dissenting members of the committee state in the report that they cannot "agree that a Federal Insurance Commission be created as an independent agency with the power to fully regulate all aspects of the insurance industry."

Also, dissenting members say that "to create a whole new bureaucracy to regulate an entire industry, whose ramifications extend over the entire spectrum of our economy and personal life, on the basis of a problem in one very small area is totally unwarranted. Certainly the record does not justify such a solution."



## **SBA Reverses Rule on Small Home Builders**

The Small Business Administration has reversed itself and revoked a recent decision to allow small business investment companies to specialize in the financing of home builders. [See "Business: A Look Ahead From Washington," January, 1978.]

In its zeal to open more opportunity for small businesses, particularly minority-owned ones, SBA announced last November that it would consider exemptions on a case-by-case basis for SBIC's to finance more home builders.

Now SBA says the financing of home builders and the proposed methods of operation and forms of financing proposed by applicants are not compatible with the intent of the Small Business Investment Act.

So SBA has concluded the Nov. 28 rule was "imprudently made." The rule was canceled March 15.

## **Business and Labor Agree on Extension of Ex-Im Bank**

On some occasions, business and labor agree—and such is the case in the matter of extending the life of the Export-Import Bank for five years, as proposed by the Carter administration. The agreement is not complete, however.

Spokesmen for the Chamber of Commerce of the United States, at hearings held by a House Banking subcommittee, called the bank "the single most effective government instrument to boost exports and redress the trade deficit" and urged further changes.

The business community favors greater efforts to provide exporter financing to higher-risk developing countries and an easing of present lending restrictions on East-West trade.

While advocating extending the life of the bank, the AFL-CIO objects to increasing the scope of the bank's operations. Organized labor wants to specifically prohibit the bank from financing loans to help the Soviet Union, China, and South Africa.

Also, business generally agrees with the administration that the bank should have an additional \$15 billion in lending authority. Organized labor wants the increase held to \$5 billion.

## **S & L's May Get Larger Urban Role**

More opportunity to invest in urban development projects is a prospect for the nation's federal savings and loan institutions.

Currently they are restricted from making commercial real estate loans, but a new bill, S. 2684, sponsored by Sen. William Proxmire (D.-Wis.) and nine other senators, would remove those barriers.

"This provision," Sen. Proxmire says, "recognizes

that viable urban neighborhoods need, in addition to housing, commercial activity to provide shopping and jobs."

The bill also would amend the Home Owners' Loan Act of 1933 by removing current limitations on S & L's to make home improvement and rehabilitation loans. It would authorize them to finance housing cooperatives and broaden the powers of the thrift institutions regulated by the Federal Home Loan Bank Board to invest in state and local government bonds. Such investments would be allowed up to the amount of an institution's net worth.

Sen. Proxmire, chairman of the Senate Banking, Housing, and Urban Affairs Committee, says this is an example of how Congress can encourage private sector contributions to public goals merely by removing obstacles which were created in the first place by government itself.

## **Bill Would Halve Time for Starting Nuclear Plants**

Certain to irk foes of nuclear energy is the Carter administration's proposed Nuclear Siting and Licensing Act of 1978, which would cut in half the time involved in getting approval for sites and licenses.

Currently it takes ten to 12 years for all the red tape to be unraveled.

The Department of Energy says that decoupling the site and power plant design reviews from a specific plant application could reduce to about six years the time it takes a utility to bring a plant into operation once the utility has determined that a new plant is needed.

As of March 1, there were 69 nuclear power plants in operation, 95 were being constructed, and 55 were planned. The Department of Energy unofficially estimates that, to meet the nation's electrical energy needs, 300 plants will be required by the year 2000.

## **Wood Stove May Be Factor in New Rural Home Financing**

After 1980, all homes financed by the Farmers Home Administration may be required to get a significant portion of the energy they use from alternate fuel sources.

This energy might be solar, from wood, geothermal, or from other nonfossil fuel sources, says Alex Mercure, assistant secretary of agriculture. Mr. Mercure recently directed the agency to develop preliminary plans to make alternate fuel use a requirement for federal financing after 1980.

The agency serves all rural areas, including towns up to 10,000 population, plus towns up to 20,000 that are not in standard metropolitan statistical areas and have a shortage of mortgage credit for low and moderate income families. □



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# Should Taxes Finance Antismoking Campaigns?

**A** NEW FEDERAL agency, the Office on Smoking and Health, has been established within the Department of Health, Education, and Welfare by Secretary Joseph A. Califano, Jr.

Its mission: To direct a wide range of antismoking programs, with an initial annual budget of \$30 million.

"This department will place the weight of its scientific authority behind programs to inform the public, especially the young, about why they should not smoke and how they can quit if they wish," the Secretary says.

Mr. Califano argues that "people who smoke are committing slow-motion suicide."

He says that smoking was a factor in 300,000 deaths last year, that it causes 40 percent of all cancer in males, and that 85 percent of deaths from lung diseases could be avoided "if people would stop smoking."

The tobacco industry, on the other hand, says that Mr. Califano's campaign "is unjustified both scientifically and as a matter of public policy."

Horace R. Kornegay, president of The Tobacco Institute, Inc., the industry's trade association, says many eminent scientists hold that "smoking has not been scientifically established as a cause of human disease."

As for Secretary Califano's claim of smoking being a factor in 300,000 deaths, Mr. Kornegay says:

"This 300,000 figure has been used so often during the past dozen years that few people remember that it had no scientific basis when first made in 1965 and still has no basis today. Secretary Califano has perpetuated this myth."

Mr. Kornegay adds that "responsible scientific debate on the smoking and health issue is not served by this

careless misuse of unfounded and unsupported scare figures," and he says other figures used by the Secretary are similarly inaccurate.

But, Mr. Kornegay emphasizes, the basic flaw in Secretary Califano's plan is a fundamental misconception of the role of government in a free society.

"The Secretary's antismoking programs," Mr. Kornegay says, depend "chiefly on government coercion. Of the many proposals he has made, at least half represent the intrusion of government into individual freedom of choice."

The Tobacco Institute head says the American people do not want that kind of intrusion.

Should the federal government finance and conduct antismoking campaigns?

What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor  
Nation's Business  
1615 H Street N. W.  
Washington, D. C. 20062

Should the federal government conduct antismoking campaigns?

☐ Yes ☐ No

Comments:

Name \_\_\_\_\_ Title \_\_\_\_\_

(PLEASE PRINT)

Company \_\_\_\_\_

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## Deflating the President's Inflation Plan

**P**RESIDENT CARTER's plan to curb inflation with voluntary wage and price constraints gets a no vote from readers of NATION'S BUSINESS.

Many are blunt in saying the government should look to its own deficit spending actions as a big first step in halting inflation.

The President's proposal, which he presented in his State of the Union message in January, would, he said, keep wage and price increases in 1978 below the average of the past two years.

Under the Carter plan, there would be meetings between representatives of the Council on Wage and Price Stability, the Council of Economic Advisers, and the departments of Labor and Commerce on one hand, and representatives of individual companies or worker groups on the other.

While business leaders agree there must be a reduction in the rate of inflation, they fear the Carter plan would open the door to increased government interference in the private sector.

Last month, the President repeated his call for voluntary action by labor and business and announced that, to show the way, he was planning a freeze on top federal salaries and a 5.5 percent limit on raises for the mass of white-collar federal workers, among other measures.

The sentiments of NATION'S BUSINESS readers on the private-sector part of his plan were already being registered at the time. The "Sound Off to the Editor" question in the March issue was: "Do you favor the Carter plan for wage and price curbs?"

By a ratio of four to one, the readers vote against the President's proposal.

Richard J. Lang, president of R. J. Lang Sales, Inc., Cleveland, says: "The government should fight inflation by balancing its own budget. More government control is no solution to the present excessive government intervention."

W. J. Toohey, Jr., manager of sales for Bethlehem Steel Corp., Bethlehem, Pa., agrees: "I would not favor such a plan until convinced that the federal



**Parker L. Shipley, vice president, Guarantee Mutual Life Co., Omaha, Neb., favors a qualified plan with "federal spending limits as a first step."**



**Merl Caton, secretary and treasurer, Caton Lumber Co., Enid, Okla., says yes to wage and price curbs. "Call a freeze for two years and let this country have a breather."**



**Kenneth J. Miller, vice president, Orly Manufacturing Co., Inc., New Holland, Pa., votes no to the proposal. "The government is meddling where it doesn't belong."**

government has done all possible to attack the number one cause of inflation, namely, federal deficit spending."

John C. Bonser, vice president of Kribs Leasing, Inc., St. Louis, offers this comment: "The voluntary program our economy needs is one in which government reduces its own bureaucratic labor force, its own wasteful spending."

"Just another nail in the coffin of free enterprise," declares F. B. Landenberger, director of Meadows-Draughton College, New Orleans.

Stephen W. Tyler, Jr., president of Tyler Engelke Corp., Healdsburg, Calif., answers no and adds that, before curbs are implemented, the government should reduce spending by eliminating "burdensome regulatory agencies."

Answering in favor of President Carter's plan is Gene C. McLennan, owner of McLennan's Electric, Port Angeles, Wash. He says he thinks that wage and price curbs are necessary and follows with: "I made a prediction in 1946 that, if price controls were eliminated, in 20 years we would be paying a dollar for a loaf of bread. I missed by very little."

Some readers who answer yes to the question embrace the Carter plan only with some reservations. Wilson L. Moon, president and general manager of the Greenfield Printing and Publishing Co., Greenfield, Ohio, says: "While I am against more government controls, we must take steps to control inflation. Wage settlements like those in the coal industry will destroy us all."

James S. Garvey, chairman of Garvey Elevators, Inc., Fort Worth, Texas, replies: "Yes, if President Carter, Congress, and the federal bureaucracy will lead the way. The private sector cannot be effective wage-price fixers with rampant, excessive raises by the government sector."

Raymond E. Cross, president of Federal Die Casting Co., Chicago, is succinct in expressing his lack of faith in the Carter plan. He says: "The government can't even deliver the mail. How could they control wages and prices?"



C. H. Hickman, regional sales manager for Burroughs Wellcome Co., Burke, Va., also finds fault with the President's proposal. "Mr. Carter is proposing to treat symptoms," he says. "Wage and price controls will not hold down inflation." Mr. Hickman suggests that reducing corporate taxes as an incentive to increase capital spending is the best solution to the problem.

"Wage and price controls in any form are like the cork in a bottle of carbonated beverage," says D. S. Helwick IV, a consumer research analyst at The Standard Oil Co. (Ohio), Cleveland. "As long as the cork remains in place, the bottle can be shaken indefinitely—but don't pull the cork."

In contrast, some readers feel that the Carter plan's "voluntary constraints" are not enough.

Floyd R. Schneider, president of Carpenter & Smith, Inc., Monroe, N. Y., says: "Nothing short of absolute wage and price controls will have any effect. Voluntary setups are worthless."

John P. Murphy, vice president of Cargill, Wilson & Acree Inc./Advertising, Atlanta, opposes the plan and remarks: "This is nothing but a smoke screen and does not address the basic problem. If we are going to get infla-

tion under control, we must first look to fiscal responsibility on the part of the federal government. How about a plan to correct deficit spending, the imbalance in trade payments, and government interference in the free enterprise system?"

Lois Pinney, assistant secretary/treasurer of E. O. Phelps & Sons, Inc., Bantam, Conn., replies no to the proposed wage and price curbs and adds: "Our government seems to forget that business supplies the means for their demands. Our country was made great not by more government controls, but by more freedom. Let's try to keep it that way."

Ed Lewandowski, assistant vice president of Central Carolina Bank & Trust Co., Burlington, N. C., on the other hand, believes that in 1978 there will be inflationary increases in both wages and prices due to fear of possible mandatory controls. He favors "across-the-board cuts."

Judith Swank, secretary/treasurer of Alvin Swank & Son, Inc., Elysburg, Pa., views the Carter plan with concern. She comments: "We are a small business, foundering in a sea of governmental regulation, controls, mandatory paperwork, etc. If the Carter ship

comes in, it might bring with it the wave that sinks us all."

Roy Winans, president of Continental Map, Inc., Austin, Texas, rejects the plan and points out what he sees as its follies: "Interference with the general market by government actions or regulations simply postpones the inevitable result of gross monetary mismanagement and of profligate government spending. The greater the government meddling, the more profound the necessary adjustments."

Again pointing an accusing finger at the federal government for causing the problem it is now trying to solve, John E. Sloane, president of John Edison Sloane, Inc., Westfield, N. J., asserts that inflation "cannot be cured by hurting production through limiting profit. Nor can wages be controlled by stimulating employment through government action. A strong dollar and high interest rates will check inflation."

Finally, there is this lament on the situation from Chris A. Cipriano, vice president of Valley Industrial Trucks, Inc., Youngstown, Ohio. He says that it's "just too bad we can't shut down Washington for approximately two years." □



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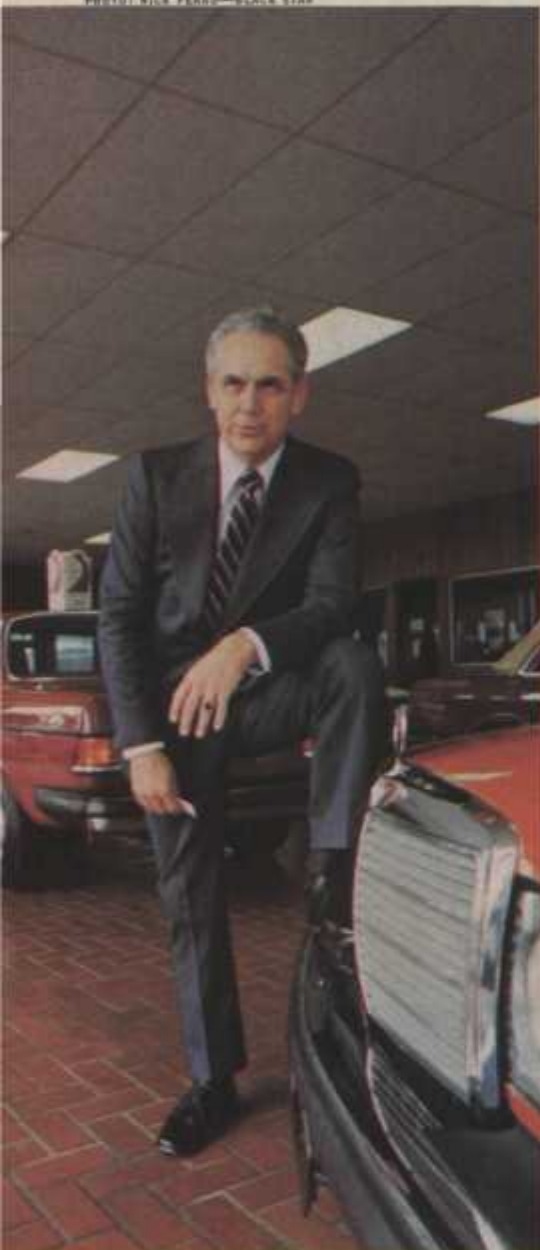
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Frank L. Morsani, of Tampa, Fla., shown here at one of his four auto dealerships, believes that "people want badly to be involved" in government decision-making. He is active himself in national and local business organizations.



Rep. Billy Lee Evans (D.-Ga.), at head of table, met recently with the congressional action committee of the Macon, Ga., Chamber of Commerce, and lauded business efforts on behalf of a healthy economic climate. Macon businessman Jimmy Hays, chairman of the CAC, is at Rep. Evans' left.



Tax policies that recognize American industry's enormous need for capital funds are essential to continued economic growth, says Richard Slagle, an executive of Armco Steel Corp. and chairman of its congressional action committee.

Washington officials who "spend every day creating more laws and more problems will put us farmers out of business if they don't stop," says Roy E. Parke, a Dover, Fla., grower who has watched government regulation evolve into a major concern for agriculture.



# Involved Business People: Powerful New Force for Change

By Robert T. Gray

Perhaps the most significant political development today is the growth of a movement among people in all walks of business to obtain a voice in government decisions

**H**EAVY TRUCKS loaded with kaolin ore roll by as Carl Brown escorts a visitor up a dusty road to a site overlooking the Georgia Kaolin Co. plant, where he is manager.

The kaolin-processing plant in the pine-covered hills south of Macon turns out an ingredient important in the manufacture of spark plugs, paper coatings, paint, dishes, insulators, and many other products.

"In January and February, 1977," Mr. Brown recalls, "our natural-gas supplies were cut off because of the energy shortages that winter. Our maintenance men went out into the forest and cut wood to burn for heat."

"It takes a lot of energy to refine kaolin. I'd be willing to pay more for fuel to keep this plant operating."

Mr. Brown is now working through his local chamber of commerce and other business organizations to, as he puts it, "make elected officials aware that energy price controls hurt not only my company and its workers, but our customers and their workers."

"It used to be a joy to be a farmer," says Roy E. Parke, as he watches a bulldozer tearing up trees in a grove

on the 140-acre farm where he grows oranges and strawberries near Plant City, Fla. "You got up in the morning, and you did what you knew had to be done."

Now, largely as a result of increasing government intrusion into agriculture, things are different, Mr. Parke says, and he explains the bulldozer's activities:

"The temperature got down to 23 degrees one night, but environmental regulations prevented us from using smudge pots. I lost 21 acres of orange trees, and now we have to tear them up."

Mr. Parke is an active member of growers' associations and other business organizations that are united in the belief that "we must get the government off the farmer's back so he can get on with the job of feeding the country and a lot of the rest of world."

"That whole area was swamp and open fields in 1965. That complex you see on it now is a complete steel mill that cost a half-billion dollars."

Richard W. Slagle, assistant vice president for government and community relations for Armco Steel Corp., is

explaining how his company has expanded facilities—and payroll—at its Middletown, Ohio, headquarters and other installations.

"We have invested more than \$1 billion in Middletown alone since 1965," he says, "and the work force here is now more than 8,000. But government keeps eroding our ability to create the capital we need to modernize so we can remain competitive in world markets."

Mr. Slagle and other Armco executives have opened a number of lines of communication with government, including a congressional action committee of executives who work for legislative goals favorable to business. "We must all work together," he says, "to emphasize to elected officials that a healthy economy means job opportunities that come through capital investment."

Mr. Brown, Mr. Parke, and Mr. Slagle were among scores of representative business people whom NATION'S BUSINESS editors talked with in exploring what is perhaps the most significant development in current political life.

That development is the growth of a movement among business men and women—from the operators of small shops to top executives of giant corporations—to obtain a voice in the process by which government makes the decisions that affect them.

They are speaking out with increasing strength and determination against government action that threatens the viability of the enterprise system or jeopardizes individual rights.

## Landmark victory

And their views are being heard.

In a landmark victory for the foes of big government, the House of Representatives recently reversed itself and defeated a consumer-protection agency bill. The legislation had three times passed the House—though not the Senate—under pressure from big labor and the consumer activist movement led by Ralph Nader.

The bill would have added a new layer of federal bureaucrats to oversee the activities of costly agencies already responsible for protecting consumers.

Rep. John B. Anderson (R-Ill.) reflected the views of a majority of





Textile executive Max Thompson has reason for concern about government policies that discourage development of new energy supplies.



"Taxation and paperwork are the biggest problems facing business today," says Myrtle Hammock, general manager of a railroad construction company.



Long-range trends in Social Security taxes worry many businesses, reports Ben Porter, a vice president of Charter Medical Corp., Macon, Ga.

House members when he explained why he voted against the measure:

"What I hear most from the small businessman and the average blue collar worker and consumer is that government is already too big, too intrusive, and too bureaucratic. The people are not crying out for more bureaucracies to protect them from other bureaucracies."

A deluge of mail, telegrams, telephone calls, and visits from constituents in opposition to the consumer agency bill turned the tide.

Earlier, a similar swell of popular opposition had led to the defeat of bills that would have provided for automatic increases in the minimum wage, increased the cost of transporting imported oil, authorized secondary boycotts at construction sites, required employers to assume the majority share of Social Security taxes, and virtually halted economic growth through overly stringent air pollution controls.

#### Time of opportunity

"The opportunity for business to influence national legislation favorably is probably greater today than it has been at any time in the past ten years," says William K. Eastham, who has just finished a one-year term as chairman of the Chamber of Commerce of the United States.

Mr. Eastham, the president of S. C. Johnson & Son, Inc., has worked extensively during his National Chamber chairmanship on promoting involvement in government activity by business, particularly small business.

"Business people can make impor-

tant progress if they are willing to devote time to the national issues that affect them," Mr. Eastham says.

State and local chambers of commerce, trade associations, and other business organizations, plus individual companies, are showing a new sense of purpose and unity in fighting for or against legislation.

#### Burgeoning committees

One of the most effective mechanisms in the burgeoning movement is the congressional action committee, which has been designed to make legislators aware of the business viewpoint on issues.

More than 2,000 state and local chambers of commerce, trade associations, and corporations now have organized congressional action committees that have a total membership of 100,000 business men and women.

At a recent meeting of a congressional action committee organized by the Greater Macon Chamber of Commerce, for example, energy and Social Security taxes were among the principal topics under discussion.

#### A congressman listens

Rep. Billy Lee Evans (D.-Ga.), who represents the Macon area, was present to listen in.

Barry King, president of the Macon Federal Savings and Loan Association, commented that congressional consideration of an income tax cut, in the wake of legislation providing for sharp increases in Social Security taxes, "is a farce—an election year ploy to get votes."

He added: "But the people are being fooled less and less."

Said Rep. Evans: "When people are fooled less and less and speak up more and more, that is when we will get something done."

### WHAT BUSINESS REALLY WANTS

What does American business expect to achieve by its increasing participation in the political and governmental process?

Clark Powell, manager of a grower-owned tomato-packing and marketing company based in Tampa, Fla., has a simple answer:

"We're not asking the government to do more for us, but to do less against us."



Mrs. Myrtle Hammock, general manager of the B. C. Hammock Construction Co., told the congressman that "taxation and paperwork are the two biggest problems facing business today. The government keeps me busy, my secretary busy, my bookkeepers busy, and my accountant busy, all turning out too many reports that aren't of any use to anybody."

Max Thompson, vice president for industrial relations at The Bibb Co., the largest textile manufacturing company in Georgia, recalled that natural gas supplies were interrupted during the 1976-77 energy shortages "and we made substantial investments to convert to coal and propane. At various times during the year, as much as half of our work force—or more than 3,000 people—was affected by layoffs due to the natural gas shortage."

He added: "We don't want that to happen again, but government intervention through price controls is not the answer. Deregulation of natural gas prices is the answer."

### **"Keep the pressure on"**

Rep. Evans, after hearing the congressional action committee's views on the various issues, urged the members to "keep the pressure on."

He also told them:

"I have been amazed what has been done by chambers of commerce throughout the country in the past years to influence decisions on business legislation. Many bills that business was concerned about would have passed overwhelmingly but for the grass roots activities of the business community."

He left the committee members with a reminder that is important to all business:

"If middle-class Americans unite on behalf of their common interests, they could be the biggest voting bloc in the country. Until that is done, other groups are going to get the attention of Congress."

The opportunity for effective action is particularly great, Rep. Evans said, because many new members of Congress "are dedicated people who are listening to the folks back home, and those members are going to have an influence over how the government is run."

### **How the committees work**

While congressional action committees sometimes meet personally with members of Congress, the committees' major communications effort ordinarily

is aimed at generating the communication of views on specific issues to members of Congress.

The congressional action committees came into existence two decades ago, but the movement has expanded rapidly in recent years with the growth in the number of complex issues of concern to business.

Different congressional action committees have different operating techniques. At Armco Steel, for example, the committee's composition shifts according to the particular issue involved.

Mr. Slagle, who is chairman of the Armco committee, says: "We bring in experts on the particular issue we are considering. The group may vary, but the continuity is there."

The committee communicates with various Armco constituencies, including Armco executives, other employees, suppliers, and shareholders. Company positions are set forth in the hope that individuals in those constituencies will contact members of Congress.

Position papers on various issues affecting the company are distributed to retirees—many of whom are shareholders—at the annual reunion the

company sponsors for ex-employees in Sarasota, Fla.

"The grass roots is where the action is," Mr. Slagle says. "That is where we can be effective."

### **People want to be involved**

One nationally based organization that encourages and channels individual participation in the governmental process is Citizen's Choice, which was formed in 1976 by National Chamber leaders.

Citizen's Choice, a membership organization, seeks to reach individuals who would not normally have an opportunity to make themselves heard in the government decision-making process. Members include housewives, stockholders, students, retirees, unorganized workers, union members whose outlook differs from that of their unions, and any other individuals who want to have their views registered where they count.

Frank L. Morsani, president of Automotive Management Services, Inc., of Tampa, Fla., and a member of the board of Citizen's Choice, says that "people want badly to be involved. They want to be heard by officials making decisions that affect them and

## **GUIDELINES FOR SETTING UP ACTION COMMITTEES**

Because the congressional action committees have proven such a highly effective means of involving business people in the political process, more and more companies are expressing interest in forming one or more CAC's.

Experts offer these guidelines for setting up and running congressional action committees:

- Company management appoints an overall congressional action committee chairman. Individual committees are established at the company headquarters and at each division, plant, or subsidiary. Each has its own chairman.

- Committees should have between three and ten members.

- Each member keeps up with national legislative developments through various publications and special reports.

- Congressional action committees meet on a regular basis, discuss key pending issues, and develop a

program of action on those issues.

- In considering a legislative issue, congressional action committee members determine the potential impact of the proposal on themselves, their fellow employees, their company, its customers and suppliers, and the overall community.

- Individual members also assume responsibility for establishing personal rapport with their members of Congress and key congressional staffers; and for stimulating timely communications on issues to appropriate legislators and regulatory agencies.

The extent to which companies are participating in the congressional action committee program is shown in this sampling:

Anaconda Co. has congressional action committees with a total of 227 members at 83 plant sites.

Lear Siegler, Inc.—70 sites involving 120 people.

Belden Corp.—800 people active in nine facilities at 31 sites.





Concerned citizens working together "can indeed impact on the future of this great nation," says Dr. Richard L. Leshner, president of the National Chamber.

their businesses. Citizen's Choice is an ideal way for individuals to become involved. They can have their views presented at the highest levels of government in an informed, articulate way that the decision-makers pay attention to."

Mr. Morsani is an excellent example of business activism on governmental issues. "I own four auto dealerships," he notes, "but the job of encouraging business involvement in government is so important that I devote large amounts of time to it."

#### Raising funds

Another avenue for citizen and organizational participation in the governmental process is the political action committee, which raises funds and disburses them to political candidates. While organized labor set the pace in organizational fund-raising for candidates sympathetic to its views, the number of business-oriented PAC's is growing rapidly.

Companies and business organizations have formed more than 1,000 political action committees. The overwhelming majority of them have been created within the past three years.

Tampa businessman Copeland New-

bern, chairman of the political action committee of the United Fresh Fruit and Vegetable Association, explains why his association created its fund-raising committee:

"We wanted a way to exert more political influence with Congress and the state legislatures. We wanted to make our elected officials aware of our problems. Through our PAC, we wanted to help people in public life who understand, or want to understand, those problems."

Mr. Newbern, who owns a business complex including citrus groves, a fruit-packing and shipping plant, real estate, and other ventures, says that political activity is important whether carried on by individual businessmen like himself or by executives of the biggest corporations. "We are all trying to do the same thing—carry on a business, make a profit, and preserve the free enterprise system," he says.

#### Penalties for passivism

Prime F. Osborn, president and chief executive officer of a big corporation, Seaboard Coast Line Industries, Inc., agrees.

"Business has been hurt by its own lack of aggressive political activity,

## GIVING POLITICIANS A LOOK AT THE REAL WORLD

One of the goals in the current surge of involvement in the governmental process by business people is to show elected officials what the real world is like.

All too often, those business people say, officials act with high motives but little knowledge of the practical effect of their decisions.

Here is a sampling of what representative individuals in business want their elected officials to realize:

Yudell Hightower, of Middletown, Ohio, who started a part-time janitorial service 18 years ago and now employs 128 workers: "If taxes keep going up, I'll have to pass the costs on to my clients, and they might not want to keep my services. All these tax increases are going to put me out of business and my workers out of jobs if they are not halted soon."

Tony Long, a Macon, Ga., painting contractor: "The safety of my employees was absolutely essential to

me long before the Occupational Safety and Health Administration arrived on the scene. But I'm not sure everything OSHA demands is absolutely essential. A small business today needs a full-time person just to keep up with the paperwork required by OSHA and other federal regulators."

George K. Todd, president of Speedling, Inc., a Tampa, Fla., company whose varied activities include vegetable growing: "Too many government programs are based on the assumption that we are exploiting agricultural workers. We are not. If growers had an input into these programs and the way they are administered, we wouldn't have these problems and we would have workers in the field."

Roger Dillman, owner of supermarkets in Middletown, Ohio: "Listening to an assistant manager at a staff meeting one day, I realized he was

not aware that the company paid half of an employee's Social Security taxes. That convinced me that we had to do more to keep our workers informed on government issues. It also showed that many people, demanding higher business taxes, might be unaware of the tremendous demands already being made on business to finance government."

James E. Niemes, manager of business analysis for Armco Steel Corp., points out that "it costs the government \$9,800 a year to keep a family of four on welfare. The lowest hourly worker at Armco earns \$14,000 a year and pays \$3,400 in taxes."

"Moving the head of a family from welfare to work represents a net gain of \$13,200 to taxpayers. Government attitudes toward allowing the private sector to expand and provide jobs should stem from an awareness of those simple numbers."



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## A VOICE THAT MAKES WASHINGTON SIT UP AND LISTEN

"You can make yourself heard by Washington officials whose decisions affect your life."

That message is going out to individual Americans from a unique organization headquartered in the national capital.

The organization is Citizen's Choice.

It provides an effective avenue of communication between top officials of government and members of the taxpaying public who previously had no organized procedure for expressing their particular viewpoints.

They want to be heard on such issues as inflationary tax-and-spending policies, the unending expansion of government, and the erosion of personal and economic freedoms.

While many business organizations champion those views, Citizen's Choice is rallying a broader constituency in support of traditional American attitudes on government and economic freedom.

Thomas J. Donohue, executive vice president of Citizen's Choice, says that "business organizations are important, there's no question about that. But it is also important to get other people involved—stockholders, retirees, housewives, students, workers, anyone who wants to make elected officials more responsive."

"The important thing is for them to

have a way to present their views before Congress makes decisions that are not in the best interests of the taxpayers, a way to affect the outcome of governmental decisions and not just be forced to accept decisions without recourse."

Mr. Donohue notes that Citizen's Choice played an influential role in the defeat of various bills that would have created still more federal bureaucracy, would have increased the power of labor unions, and would have increased the cost of energy.

Jay VanAndel, chairman of Amway Corp., U. S. A., who is also chairman of Citizen's Choice, says that the American taxpayer often has been unaware of the cost of any single piece of legislation until it was too late to do anything about it.

Citizen's Choice offers a way out of that morass of helplessness, Mr. VanAndel points out. "Through Citizen's Choice," he says, "citizens can keep themselves informed and prepared to act."

"They can stand up against legislation not in their best interests. They know which officials to contact and when, in order to get the best results."

"Through its thousands of citizen-members, Citizen's Choice provides a massive voice in Washington, a voice large enough to make Washington sit up and listen."

Citizen's Choice, which is only 18 months old, has more than 20,000 members, its officers point out, and its ranks are growing by thousands each month.

For an individual membership that costs \$15 a year, members are kept up-to-date on federal government developments through a behind-the-scenes newsletter, through access to a toll-free hot line providing current reports on Washington action, and through calls to action alerting members to crucial developments on specific bills and informing them of what they can do to achieve desired results.

Members are also polled for their views on issues. The findings go directly to government leaders.

Mr. Donohue sums up: "Citizen's Choice is a group of people who want an active role in the process through which government makes decisions that affect them."

"That process has been influenced for too long by self-seeking pressure groups wanting more federal spending, regardless of the inflation caused, more government regulations and controls, more bureaucracy."

"Now, Citizen's Choice has added a new dimension—the voice of the outraged taxpayer—to the effort to restore balance to national policies."

Russell L. Bogue, Jr. (left), chairman of the Tampa chamber's congressional action committee, works closely with Hal Cusick, urban affairs manager for the chamber.



and we need desperately to correct this," Mr. Osborn says.

"The problems resulting from government interference with business can be solved only through the legislative process. Business should increase its activity in that area, and the activity should begin with efforts to elect people whose views on political issues coincide with those we hold and should continue with involvement in the decisions legislators make after they are elected."

### Bitter harvest

Problems of regulation and taxation may be foremost in the minds of business people when they think about communicating with their elected representatives, but there are other problems, too.

At a meeting of the Florida Fruit

and Vegetable Association, Peter S. Harlee, president of a tomato-packing company, told of manpower shortages he encountered in a recent harvest season.

"I found that my crews were extremely shorthanded two days a week. When I investigated, I found those were the days that food stamps were distributed in two towns near my plant. I was paying double for those food stamps—as a taxpayer and also through lost production because people preferred to leave their jobs to get the stamps."

Vance V. Vogel, vice president of the association, pointed out that a citizen's complaints about government, no matter how well-founded, often do not go beyond a small circle of that citizen's associates.

However, looking over the growers'



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Sen. Harrison H. Schmitt (R-N. Mex.) says Congress welcomes information from business and other groups "who know the most about an issue we are considering."

Rep. Morris K. Udall (D-Ariz.) wants individual citizens to realize that "we need to hear from people if we are going to make the right decisions."

association leaders assembled for the meeting, he said:

"We express our views here, and we adopt formal positions on specific issues. I go up to Washington and talk on behalf of these growers. I tell Congress how the members of our organization feel on matters that affect them. This is grass roots activity in its purest form."

"Without this association, we would be lost as individual farmers."

#### Legislators are aware

The growing strength of the citizen's participation movement throughout the country stems from such sentiments—people who no longer wish to

be lost as individuals are uniting to make themselves heard.

Legislators are aware of what is happening.

"Legislative action by such groups as the National Chamber is a very important part of the political process," says Sen. Harrison H. Schmitt (R-N. Mex.), one of the newer members of Congress. "It is important that we get information from those who know the most about an issue we are considering."

A veteran congressman, Rep. Morris K. Udall (D-Ariz.), chairman of the House Interior Committee, says: "We need to hear from people if we are going to make the right decisions."

"Our daily mailbag is our hot line connecting us with the people back home. People should not get the idea that their views don't count. They do. I have sometimes changed my vote on the basis of one letter or one phone call."

#### America's heritage

While the surge of business involvement in government is a recent development, the concept is as old as the nation.

That point is made by Dr. Richard L. Leshner, president of the Chamber of Commerce of the United States.

"We sometimes forget our history and our heritage," he says. "We should stop from time to time and remember that this country was founded by people fleeing from big and oppressive government."

"Jefferson said that the natural progress of things is for liberty to yield and government to gain ground."

"Left to its own devices, government will indeed gain ground."

"We have come full circle in our country. People are once again worried about big government. They are tired of bureaucracy, red tape, high taxes, regulation."

"But it's not enough just to go to the polls every two or four years."

"We must work in an organized fashion at the grass roots level year-round."

"We can adopt intelligent positions and communicate our views to our elected representatives."

"If we do that, we can indeed impact on the future of this great nation, and we can preserve it for our children and our grandchildren."

"Democracy can work if we get together and make it work." □

## THE HIGH COST OF REGULATING

Many of business's most serious problems with government stem from the massive growth of government regulations.

A new study by the Center for the Study of American Business at Washington University, St. Louis, documents how that growth is continuing.

Murray L. Weidenbaum, director of the center, and an associate, Robert DeFina, report that the federal government's 41 regulatory agencies have a combined budget of \$4.8 billion for fiscal 1979, more than twice the total for regulators in 1974.

"Clearly," the researchers say, "the cost of operating federal regulatory agencies is rising more rapidly than the federal budget as a whole, the population of the country, the gross national product, or any other applicable basis for comparison."

An earlier Weidenbaum-DeFina study showed that business expenditures caused by federal regulation were 20 times the direct federal outlays.

On that basis, the overall cost of government regulation will be \$96 billion in the next fiscal year.



To order reprints of this article, see page 34.



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# The New Furor Over Social Security

ONE OF the cardinal rules of politics is that tax increases don't make for popularity at the polls. Which is one reason why congressional debate over Social Security taxes is becoming more heated and more complex.

Many election-minded members are getting behind various proposals to roll back or otherwise soften the impact of tax increases voted last year and scheduled to take effect over the next ten years.

Those congressmen are concerned that taxpayer opposition to the increases might be translated into anti-incumbent votes in November.

While the various rollback proposals differ in detail, most call for reducing the scheduled Social Security payroll tax increases and using general revenues to make up any loss in benefit payments a tax reduction would cause.

Business has registered stiff opposition to any such shift to general revenue financing, although it does favor a reduction in the scheduled wage ceiling subject to payroll taxes. The reduction business favors would affect less than ten percent of all Social Security taxpayers.

## Undo the rescue?

Preston C. Bassett, a consultant for Towers, Perrin, Forster, and Crosby, a management consulting firm, told the Social Security subcommittee of the Senate Finance Committee in testimony on the new Social Security provisions:

"The 1977 [tax increase] changes were both far-reaching and controversial. However, they were also a responsible reaction by the Congress to a very serious financial crisis.

"Strangely enough, there are those who would now undo this rescue by rolling back not only the tax increase approved last year, but also the taxes authorized by Congress in 1974. We do not believe the facts warrant action of this sort."

Mr. Bassett testified as a representative of the Chamber of Commerce of the United States. The subcommittee is considering various proposals for

substituting general revenues for tax increases.

Similar bills are pending in the House.

## New revenues eyed

The focus of congressional concern is the tax-increase legislation enacted last December to shore up the financial base of the Social Security system, which has been running in the red.

Under previous law, the tax rate had been scheduled to increase from 5.85 percent in 1977 to 6.45 percent in 1990. The maximum amount of wages subject to taxes was projected to go from \$16,500 to \$31,200 by 1987. Wage base increases are estimates because they increase automatically as part of a benefits escalator.

Under the 1977 changes, the tax rate will be increased gradually to 7.65 percent by 1990, and the wage ceiling will go to a projected \$42,600 by 1987.

Various proposals for rolling back the taxes include: substitution of general revenues for payroll taxes that now support the disability and health portions of Social Security; reduction of President Carter's proposed cuts in individual and corporate income taxes, with money saved by not cutting the taxes the full amount allocated to Social Security; and commitment of revenues from the President's proposed crude-oil equalization tax to the Social Security trust funds.

Mr. Bassett said in his testimony that widespread allegations that the 1977 tax increases "are working an immense hardship on all income levels" are not accurate.

By 1981, he said, the \$10,000-a-year worker will be paying \$60 more than the 1979 level under the old law, the \$20,000 worker will be paying \$187 more, but individuals making \$30,000 a year or more will be paying an additional \$832.

If additional funds were needed to offset the reduction in the wage ceiling, Mr. Bassett said, Congress could take such steps as extending the Social Security system to all workers—including federal and those state and lo-

cal government employees who are not now liable for Social Security taxes.

Mr. Bassett emphasized: "We do not support a freeze or rollback in the Social Security tax rate, nor do we support the introduction of new general revenue financing schemes."

Here is a brief summary status report on other key business issues pending in Congress:

## LABOR LAW REVISION

A showdown vote is near on legislation to enact major changes unions are seeking in the National Labor Relations Act.

The controversial legislation, which has passed the House, was drafted by the AFL-CIO. Opponents say the measure is designed to put the punitive power of the federal government behind faltering union recruiting efforts.

As the Senate prepared for a key vote on the bill, some labor strategists indicated they would accept weakening amendments if necessary to win.

Business groups opposing the legislation viewed that stand as a device for salvaging the bill in the Senate and getting it into a highly sympathetic conference committee.

The conference committee procedure is the mechanism for resolving differences in bills passed by the House and Senate with the same general purpose. Conference committee recommendations ordinarily are enacted into law with little or no opposition.

Conferees on labor legislation are drawn from the labor committees of the House and Senate. Those two committees have proved themselves highly sympathetic to organized labor. The AFL-CIO position would almost surely predominate in a conference.

For that reason, business opponents of the legislation are determined to resist compromise attempts and to work for the outright defeat of the measure in the Senate.

## HUMPHREY-HAWKINS

Senate hearings are scheduled to continue this month on the Full Employment and Balanced Growth Act,



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the long-discussed bill that would commit the nation to reaching a four percent unemployment rate by 1983, with the federal government serving if needed as employer of last resort to reach that goal. Business remains concerned that the so-called Humphrey-Hawkins bill, already passed by the House, contains unrealistic goals, could lead to centralized economic planning, and would be highly inflationary with its emphasis on high-cost public service jobs.

## ENERGY

Congress is trying to forge its own version of a National Energy Plan more than a year after President Carter's energy proposals were first presented on Capitol Hill.

The major roadblock continues to be deregulation of natural gas prices. A House-Senate conference committee is weighing various proposals. General agreement has been reached on a phaseout of price controls by 1985. Still to be resolved are such issues as provisions for reimposing controls and allocation of supplies in time of emergency.

On another front, supporters of the crude-oil equalization tax are trying to revive it as a possible alternate source of revenue to Social Security tax increases. The tax would be designed to discourage consumption by raising prices of domestic crude to world market levels set by the cartel of exporting nations. The House approved the equalization tax, but the Senate had rejected it. Prospects of enactment remain uncertain.

## SMALL BUSINESS

A House Small Business subcommittee has opened a series of hearings on the future of small business. The sessions will be conducted throughout this year, with testimony due from a wide range of individuals and organizations.

The subcommittee report is expected to produce one of the most extensive congressional analyses to date on the status, problems, and expected developments in small business. Those findings are also expected to lead to various legislative proposals, particularly in the area of capital formation.

The small business community is also looking to the sessions for documentation of what business people are very much aware of: the extent to which Congress and regulatory agencies established by Congress create problems for small business. □

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# How Congressmen Respond to Mountains of Mail

By William Kroger



Brad Krones (left) and George Nika, aides to Sen. S. I. Hayakawa (R.-Calif.), sort the hundreds of letters that arrive each day.

**"D**EAR Congressman: I had a dream last night, and in this dream I had a vision of how to solve America's unemployment problems. If every business in the country put workers on three-quarter time and took the remaining one fourth of their work time and lumped it together to make new jobs, there would be enough jobs for all those who are unemployed. Eventually, all the salaries could be raised to cover any loss.

"I know the workers would agree with my plan. Now you must contact all the businessmen and tell them about it. I know this plan will work."

This is the gist of a letter actually received by a congressman, and it had to be answered. The letter writer believed his plan would work, and plain decency demanded a response. Equally important to the congressman, the writer represented a vote.

## Aide answers

The congressman did not play a role in formulating the answer, although it carried his signature. An aide wrote the reply for him. First it thanked the constituent for "timely and interesting" thoughts on "the most difficult subject of unemployment." Then the constituent was told that his idea had been taken under advisement and that the Labor Department and the Senate Human Resources Committee—both of which handle unemployment matters—had been informed about his let-

ter. Copies of the letter, in fact, were made and sent to the department and the committee.

That was the end of it.

The constituent was pleased by the thought that he may have had some input in helping to solve America's unemployment problem. There also was a good chance that he would remember the congressman at the polls in the next election.

Responding to constituent mail is a constant responsibility of members of Congress, and thousands of letters are answered each day in the 100 offices of senators and 435 offices of representatives.

More than 170 persons work in the two congressional post offices, which have an annual budget in excess of \$2 million. Both Senate and House mail operations run on nearly a 24-hour basis, seven days a week.

And both appear to be efficient. House Postmaster Robert V. Rota, who has been at the job since 1972, says one of his mail-processing employees can sort 1,200 items an hour compared to 800 items for a U.S. Postal Service employee.

## Volume triples in six years

"Volume of mail has more than tripled since 1971-72," says Mr. Rota. He has handled that increase without a rise in number of employees.

Mr. Rota feels that more people write to their congressmen today



Constituent mail, arriving in baskets, accounts for up to half the staff time in Capitol Hill offices and costs millions of dollars to handle.





Jill Schoener, aide to Rep. Stanley N. Lundine (D.-N. Y.), programs this computerized typewriter that kicks out responses to constituent mail. The huge volume of letters to Congress requires such streamlined operations.

about an issue or problem than formerly was the case. Another factor, he says, is an increase in organized mail which has resulted from intensification of lobbying efforts.

As an example of the growth of organized mail, Mr. Rota reports that, in one four-hour period, the Speaker of the House received 55,000 pieces of mail on the common situs picketing issue.

Last year, 39.2 million letters were delivered to the House postal operation by the U. S. Postal Service. In addition, the operation handled internal Capitol Hill communications; bulk deliveries of newspapers; the "Congressional Record," which is delivered every day the House is in session; and mail from federal agencies brought to the House via special delivery systems.

Mr. Rota says that, when all incoming written communications are counted, his staff handled about 100 million pieces during the year.

How does his operation do it?

As mail comes in, sorters begin separating it for routing to the three House office buildings: Cannon, Longworth, and Rayburn. These initial sorters are only required to know which congressman is located in which building.

Then the separated mail goes to other sorters who know on which floor a congressman is located within a building. Finally, the mail goes to sorters who know in which office a congressman is located.

The Senate operation is similar and handles nearly as much mail as the House, says Senate Postmaster Jay A. Woodall. However, there are only two office buildings—Dirksen and Russell—and there are fewer offices to worry about.

Constituent mail accounts for as much as 50 percent of staff time in Capitol Hill offices, and many lawmakers have hired people to do nothing but answer mail.

#### Sophisticated systems

The process of handling mail in both the Senate and House is fairly sophisticated, with a large portion of letters and postcards from constituents answered via computers.

Few senators and representatives care to discuss their mail operations; the thought of computerized mail-handling might not set well with the voters back home. Lawmakers shudder at the thought that constituents might feel they are unwilling to take a personal interest in constituents' problems.

But necessity has demanded such a streamlined mail-answering procedure.

Sen. S. I. Hayakawa (R.-Calif.), according to a spokesman, has six aides on his staff who just write answers to mail and another seven who spend half their time doing that. In addition, he has 12 who either type responses or operate computers that produce re-

sponses. Mail comes into his office in baskets and is sorted by category. The mail that appears to be part of lobbying efforts generally is sent directly to the computer operation for response. The remainder goes either to legislative aides—who are knowledgeable about specific legislative subjects—or to aides called caseworkers.

Caseworkers sort out constituents' problems on the basis of involvement with specific agencies or by category, such as Social Security, veterans affairs, or land-use matters. Over a period of time, caseworkers become expert at solving constituents' problems. They learn how to thread through the maze of bureaucracy to find the right person from whom to seek an answer, and they learn the laws affecting a specific area.

The legislative aides and caseworkers draft responses to the constituents. In some cases, a response might entail nothing more than an acknowledgment and the information that the constituent's difficulty is being investigated.

The draft responses then are typed for the senator's signature.

#### Canal moves over for labor

The volume of mail increases as the public becomes more concerned about a particular issue. Early this year, a NATION'S BUSINESS survey of congressional offices showed that the hottest issue was the Panama Canal treaties. More recent random surveys, however, showed the canal had taken a backseat to the labor law revision issue, which generated hundreds of thousands of written communications to Senate offices.

The labor law issue was not quite as big in the House as in the Senate, because the House had already passed the legislation. Even so, a spillover was felt there.

Congressional staffs can tell when legislative issues will generate literally tons of mail, and they prepare for the onslaught.

Usually, a legislative aide who handles the specific topic will, in consultation with the congressman, draft a general response, based on the congressman's thoughts.

The response then is put into a computer.

#### Computer spews out responses

When the mail starts pouring in, the computer goes to work, spewing out the prepared responses. Often these computer responses go through a ma-



chine that duplicates the congressman's signature, or the congressman's name is signed by aides. The letters come out looking as if they were written and signed by the lawmaker.

The remainder of the mail—the case problems or specific legislative letters—may or may not be seen and signed by a congressman, depending on the size of his constituency and the volume of mail.

### Most see a sampling

An aide to Sen. Hayakawa says that if the senator himself put in only ten minutes answering each letter, he would spend every eight-hour working day for the next 40 years answering the letters he received just last year. In one recent week, the senator received nearly 17,000 pieces of mail. On the Panama Canal treaties alone, he received more than 100,000.

Most senators and representatives, however, do see a sampling of mail. As one congressional aide says, they see enough so they get a good feel for what the constituents are writing about.

The size of a senator's staff is determined by a formula based on the population of the state the lawmaker serves. Also, the senator can get addi-

tional staff people to assist in Senate committee work. Some senators, especially those from states with large populations, have more than 30 employees on their Capitol Hill staffs plus others in their home states.

House rules, however, limit the number of employees on members' staffs to 18, which must cover both Washington and the home district. Many House members' administrative assistants complain that 18 staffers are not enough to handle normal legislative chores plus the load of mail to a representative, whose district generally has a population in the 550,000 range.

Consequently, the work pace in a representative's office can become particularly horrendous, they say.

### They demand service

"The whole concept of representation has changed in the past ten years," says one administrative assistant. "People don't just want their congressmen voting, they demand service. If they have problems with Social Security or the Veterans Administration, they write."

The aide says that not only is mail increasing in volume, but it is becoming much more diversified. "You must

have a staff that can get a handle on this," he says. "It is impossible for a congressman to be knowledgeable on everything constituents write about."

There is a growing tendency to have many specific constituent problems handled by staff personnel in the home offices, the aide says.

The problems often can be solved by federal employees locally, and the home office people learn which federal workers handle certain areas, get to know them, and establish good working relationships.

Often a phone call or quick visit—the congressman's home office may be located in a federal building—can solve a problem. The aide says such a system gives good constituent service and can cut down on the volume of mail that tends to build up in certain cases.

The volume of mail received by members of Congress varies greatly from office to office. Rep. Stanley Lundine (D.-N.Y.) has been receiving about 150 letters and postcards a week. Rep. Morris K. Udall (D.-Ariz.) has been receiving about 1,500.

An aide to Rep. Lundine predicts he will receive more mail as time goes by. "The longer a congressman is in office, enabling him to get into more special areas, the more mail he receives," the aide says.

Rep. Lundine won a special election in March, 1976, and won his first full term that November. Rep. Udall, a nationally known lawmaker, has been in office for 17 years.

### Need to know

A member of Congress needs to know what his constituents are thinking about—how they are affected by developments in the economy, society, and government; where they stand on national issues and legislative proposals; what they feel should be done to help solve the nation's problems and why.

Letters to congressmen have an impact. So do postcards—even those mailed in what obviously is an organized lobbying campaign. If a lawmaker receives 50,000 communications on an issue that is coming up for a vote, that means 50,000 constituents may remember how the lawmaker voted come election time.

With the growth of government and subsequent problems, as well as more activism on the part of citizens and the increase in organized mail campaigns, mail has become a big business on Capitol Hill. And congressional observers feel it will become even bigger. □

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# Where Uncle Sam's Tax Bite Is Biggest

**F**EDERAL taxes paid in Alaska are more than 300 percent higher per family than federal taxes paid in Mississippi. And they are more than 50 percent higher in New Jersey than in New Mexico.

A breakdown of how much is paid in federal taxes per household in each state—indicative of state-to-state disparities in income levels—was compiled by the Tax Foundation, a nonpartisan research organization.

Nationally, the federal tax burden per family averages \$5,104 for the current fiscal year.

By state, it ranges from \$3,532 in Mississippi to \$11,607 in Alaska.

The Tax Foundation study also cov-

ers total federal taxes paid within each state. California ranks highest with \$43.4 billion. Vermont is lowest with \$698 million.

Because of sharp population disparities, a high or low state total does not necessarily mean a correspondingly high or low per-family share.

The average payment per household in California is \$5,241, just slightly above the national average. While Alaska ranks far ahead of all the states per household, it is 42nd in terms of total tax burden.

This is the breakdown of total federal taxes paid in each state and the federal tax burden per household within that state:

**Federal tax burden**

State	Total millions	Per household	State	Total millions	Per household
United States total	\$388,022	\$ 5,104	Montana	\$ 1,203	\$ 4,439
Alabama	4,967	3,958	Nebraska	2,677	4,790
Alaska	1,358	11,607	Nevada	1,319	5,614
Arizona	3,570	4,380	New Hampshire	1,475	5,120
Arkansas	2,639	3,566	New Jersey	16,297	6,472
California	43,420	5,241	New Mexico	1,669	4,256
Colorado	4,617	4,886	New York	36,008	5,502
Connecticut	7,178	6,592	North Carolina	7,799	4,207
Delaware	1,242	6,271	North Dakota	1,048	4,762
Florida	14,357	4,360	Ohio	19,362	5,308
Georgia	7,217	4,304	Oklahoma	4,268	4,112
Hawaii	1,746	6,326	Oregon	4,152	4,844
Idaho	1,281	4,462	Pennsylvania	21,496	5,171
Illinois	23,863	6,077	Rhode Island	1,784	5,560
Indiana	9,235	5,097	South Carolina	3,764	4,021
Iowa	5,006	4,907	South Dakota	931	3,946
Kansas	4,346	5,083	Tennessee	6,247	4,238
Kentucky	4,928	4,190	Texas	22,272	5,070
Louisiana	5,782	4,570	Utah	1,746	4,512
Maine	1,552	4,195	Vermont	698	4,285
Maryland	8,498	6,001	Virginia	8,847	5,117
Massachusetts	10,942	5,412	Washington	7,450	5,466
Michigan	17,306	5,665	West Virginia	2,716	4,244
Minnesota	6,868	4,948	Wisconsin	7,760	4,905
Mississippi	2,677	3,532	Wyoming	815	5,620
Missouri	7,993	4,639	District of Columbia	1,630	5,905

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During World War II, a youthful Gen. James M. Gavin won fame because of his leadership of the 82nd Airborne Division in crucial battles. At upper right, he meets with a Russian general after the historic linkup of U. S. and Soviet troops that preceded the final allied victory in Europe.



## Hero in War,

Gen. James M. Gavin never got to high school, but went to West Point and became a renowned military leader. Later, he became a renowned business leader. At 70, he is still a center of attention

**O**FFERED AS FICTION, the story of James M. Gavin might sound like an old-fashioned morality play on the virtues of hard work and determination.

Consider the ingredients.

An orphan not yet two years old is adopted by a family that raises him in the bleak coalfields of Pennsylvania. He is forced to quit school after the eighth grade because of the family's financial straits. While his friends are beginning high school, he goes to work full-time in a shoe store, then runs a service station.

In his spare time, he reads nearly everything the Mt. Carmel, Pa., public library has to offer—history, science, literature, biography—about the outside world. That world begins to beckon.

How does the boy wind up?

As a dashing military commander and hero leading the legendary 82nd Airborne Division into historic battles of World War II, as a highly successful





Gen. Gavin is still active in the Cambridge area, however, and looked closely at an offer from a company there—Arthur D. Little, Inc. The offer was a vice president's post, with the prospect of moving up and an opportunity to draw on his experience in technology and international affairs.

# Business, and Retirement

business executive building a relatively small consulting firm into a world renowned leader in its field, as an international affairs expert whom the President of the United States considered the most qualified for a difficult diplomatic assignment, as an intimate of the famous and the powerful, and as a man deeply concerned with providing opportunities for young people from underprivileged backgrounds.

## Rapid rise

Although he retired from the Army more than 20 years ago, Gen. James M. Gavin is a living refutation of the idea that old soldiers just fade away. He joined Arthur D. Little, Inc., the research and consulting firm based in Cambridge, Mass., as a vice president in 1958 and became its chairman in 1964.

He relinquished that post last year, but he continues to serve the company as a director and consultant.

Gen. Gavin also remains a much-sought-after speaker both at business affairs and on college campuses.

Business people are particularly interested in his views, not only because of his excellent track record as an executive, but because of the other elements in his success story. And, at the age of 70, he is also finding that young people are among his most attentive audiences, showing keen interest in

World War II and his experiences in that conflict.

Gen. Gavin's military career ended in 1957 in a dispute over the policies of his former commander, then-President Eisenhower. Lt. Gen. Gavin was chief of research and development in the Army and considered a prime candidate for eventual promotion to Army chief of staff and even to the top military job, chairman of the Joint Chiefs of Staff. But he was concerned about the emergence of strategic nuclear deterrence as the basic military policy, fearing that conventional military forces were being downgraded to a dangerous extent.

## Left Army to speak out

As a soldier, Gen. Gavin felt he could not challenge his civilian superiors while he was still in uniform. He retired to free himself to speak out.

He was only 51 at the time and still had children to educate, so he sought a new career. "A surprising number of offers came in," he recalls.

One suggestion came from a friend who was a Harvard professor. The friend urged Gen. Gavin to become associated with that university's Center for International Affairs in Cambridge. He decided against a full-time job at the center, but did become a fellow and kept in contact with the professor—Dr. Henry A. Kissinger.

Gen. Gavin liked the idea of settling in the Cambridge area, however, and looked closely at an offer from a company there—Arthur D. Little, Inc. The offer was a vice president's post, with the prospect of moving up and an opportunity to draw on his experience in technology and international affairs.

## How the firm was started

The company had been founded in 1886 by a young man so eager to get started in business that he dropped out of the Massachusetts Institute of Technology. Arthur D. Little set up shop on the Boston waterfront testing imports for merchants who wanted to be sure they were getting what they had ordered. In the course of analyzing materials and various products, the young entrepreneur realized he could improve many of those items or improve the manner in which they were used. His customers were receptive to his ideas, and Arthur D. Little moved into the consulting business.

The founder's nephew, Royal Little, was primarily responsible for bringing Gen. Gavin into the company. Much to Uncle Arthur's dismay, Royal Little had sold most of his own shares in the company when the Depression struck in 1929. Royal eventually founded Textron, Inc., one of the first of the major, modern-day conglomerates. A man Royal Little hired at Textron, G. Wil-



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Dr. William Lee, vice president for materials technology at Arthur D. Little, demonstrates to Gen. Gavin a laser-hatched, fiber-growing process developed at the company, which has been a leader in the field of fiber optics communications.

liam Miller, recently resigned as the company's chairman to become chairman of the Federal Reserve Board.

#### Expansion program

Royal Little had maintained an influential association with his uncle's company as a member of the board and also as chairman of the trustees of a bank that then owned most of the company's stock.

When he came to Arthur D. Little, Inc., Gen. Gavin recalls, "it was a much smaller company, doing around \$12 million a year, operating mostly in domestic markets, and was in very tight financial straits."

In his first three years at the company, Gen. Gavin moved up to executive vice president and then to president. He was a major force in the company's decision to undertake a massive expansion program to keep up with rapidly emerging new areas of technology.

"I could see that, if we didn't grow, we were going to be choked," he says of those early days.

"We couldn't be content with a volume of \$12 million or \$14 million. We could see what was happening. People were starting up in the consulting business all over the place.

"We had to go out and sell, we had to grow to live."

Grow, the company did.

Today Arthur D. Little has, in addition to its headquarters, offices in Athens, Brussels, Caracas, London, Paris, Rio de Janeiro, San Francisco, Toronto, Washington, and Wiesbaden.

It handles more than 3,000 projects

a year in 49 countries on six continents. Volume last year was about \$90 million. The staff totals more than 2,000 including some 1,000 professionals who hold nearly 500 advanced degrees.

The scope of the company's work is evident from only a partial listing of its sections: engineering, international, information systems, management counseling, operations research, management sciences, research and development, engineering sciences, chemical systems, environment, economic development, materials, energy, statistics, resource management, food and agribusiness, corporate marketing, developing countries, product technology, biological-medical sciences, and manpower education and training.

#### The way to succeed

The company has a highly developed process for handling projects. They are assigned to various teams and tracked via computers until completed.

What is the best way to preside over such complex responsibilities?

"If a company like this is going to succeed," Gen. Gavin told NATION'S BUSINESS, "the common denominator for all its activities must be integrity—absolute integrity.

"I realize that anyone looking in from the outside would ask how in the world you could manage 1,800 people spread all over the world, with so many projects going on at the same time. How do you know what everybody is doing?

"The answer is that it all begins with people. Assign work to the individuals best qualified to handle it. Pay no attention to hierarchy. Make sure the man in charge of a project has international stature in his particular discipline, has total integrity, and can be sent out on his own to manage the project.

"Actually, a company like this is not as difficult to manage in the administrative sense as you might think. But the thing that concerns you always is the quality of the work you do, your reputation, your integrity, and the integrity of the people who are dealing directly with clients. This is the essence of a company.

"If we made automobiles, we would want them to be perfect. But we don't make things, and we have to earn a reputation for very high professional competence and honesty in everything we do. If we have to tell a client that something he wants very much to do just won't work, we know we are making him unhappy, but we still must say it."

#### Ambassador to France

Gen. Gavin's early years at Arthur D. Little were interrupted by a summons from a newly elected President Kennedy. Mr. Kennedy was seeking an ambassador to France who could deal with that country's leader, the regent Charles de Gaulle.

"I was most loath to come back to government," Gen. Gavin says. "But President Kennedy was very convincing. He said no one else could get along



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with de Gaulle, and he thought I could because of my military background. I had been on the London planning staff during the war and had parachuted into Normandy. I knew the French staff in London very well. I saw de Gaulle there quite a bit, although we had not had much personal contact. But President Kennedy was right, and Gen. de Gaulle and I got along fine.

"We became very good friends. He was one of the great men of our times."

Returning to Arthur D. Little in 1962, Gen. Gavin shortly became chairman and embarked upon the international expansion that has been a major factor in the firm's overall growth.

### Acquires Opinion Research

That growth included the acquisition of Opinion Research Corp., the well-known polling company located in Princeton, N.J., and the establishment in Cambridge of the Arthur D. Little Management Education Institute, which holds authority from the state of Massachusetts to confer master's degrees. Senior government and business executives from foreign countries study management at the institute.

The general says proudly that "seven years ago, the Massachusetts state board of education sent a very high-level committee to inspect our faculty, our curriculum, and our facilities. The committee found our program was as good as or better than any similar program in the greater Boston area—and that is high praise when you consider the caliber of the educational institutions around here."

Gen. Gavin's own educational experience was unique. He entered the U.S. Military Academy at West Point without having gone to high school.

When he finished elementary school in his hometown and went to work, he was hoping for a job that would enable him to both work and attend school. The jobs he found, however, did not permit him to go to school.

### Enlisted as private

He tried another avenue. A week after his 17th birthday, he enlisted as a private in the Army. He soon applied for and was accepted by a preparatory school for enlisted men seeking admission to West Point. After an intensive four months of study, he passed the entrance exams, entering the academy in the fall of 1925 and graduating four years later.

He was one of the early American

military leaders in the field of airborne infantry operations and became one of the best-known generals of World War II.

The youngest division commander in the war, Gen. Gavin received his first star at the age of 36 and his second a year later. He led troops parachuting into Sicily, Salerno, Normandy, and Holland. He also led a crucial drop that helped turn the tide in the Battle of the Bulge.

His third star came after the war, when he was 48.

A recent surge of movies, television shows, and books about World War II has sparked renewed interest in that conflict. Gen. Gavin, who was portrayed in one of the movies, "A Bridge Too Far," now finds that a new generation is interested in his military career.

"After I had given a talk to a business group recently," Gen. Gavin recalls, "a man approached me and said: 'My nephew is dying to talk to you. He's 13 and is kind of shy about coming up to you himself.'"

"I told him I would be glad to talk with the boy, and he came up and asked me: 'Have you seen the movie? I think it's the most.' So he asked me questions for about five minutes. As I walked out, another young man came up and said he had been following me around all evening and wanted to talk about World War II.

"It has been like that everywhere I go. And every day I get letters asking for an autograph or for some kind of memento of the war."

### Patriotism and pride

Much of the interest, he says, is coming from grandchildren of World War II veterans, young people who were not touched by the bitterness and disillusionment of the Vietnam era and are now discovering "the strong sense of patriotism and pride" that prevailed in World War II.

Gen. Gavin also sees a crucial change in the attitude of young people today toward national defense, as opposed to their attitude at the height of the Vietnam years.

"I was worried after Vietnam that, if we really had a serious challenge to our vital national interests, we would not get a response from our young people," he says. "But I think the trauma of Vietnam is being forgotten, and there is now no doubt in my mind that we would get a response. Our upcoming generation is turning into a very patriotic one, and if trouble develops,



Gen. Gavin's final Army assignment was as chief of research and development.

America's young people will respond. Of course, we don't want to assume that it is the nature of the human animal to always want to go to war. I can never accept the inevitability of war. There must be a better way to solve mankind's problems."

His current activities include efforts to persuade young people from minority groups to seek admission to West Point.

### On to the future

Gen. Gavin has completed his own book, "On to Berlin," about his military career. He reached back into his boyhood for the title. During World War I, a store in his hometown had a window display of a map of Europe on which local sales of Liberty Bonds were charted on routes leading to the German capital. A sign over the display read: "On to Berlin."

He says: "I used to press my nose against the window and watch that map being changed every evening, never dreaming that someday I would be on the road to Berlin with an American army."

With two important careers behind him Gen. Gavin continues to look forward.

He summed up his philosophy in his final report as chairman of Arthur D. Little:

"New knowledge is being acquired at an exponential rate. The real problem is to understand this knowledge and apply our understanding to the problems confronting us.

"We know that tomorrow belongs to those who prepare for it today." □





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# Fact Factory for Congress

By Jill Wechsler

A behind-the-scenes research service, which supplies information to congressmen even when they are on the Senate or House floor, is a vital part of today's legislative process

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CRS, which has a budget of \$23 million, has 800 employees. They include 500 professionals—lawyers, Ph.D.'s, librarians, and people with extensive training in such fields as business, taxation, and history.

Although founded in 1914, CRS has become a major research organization only in the past few years. This change is due to a vast increase in staff mandated by the Legislative Reorganization Act of 1970. At the time of the law's passage, CRS was less than a third of its present size.

## "The guts of the process"

Also, until the law was passed, CRS worked only for members and not directly for congressional committees. Its work for committees has made it more influential, allowing its analysts to get to "the real guts of the process," according to one CRS staffer. Committees are where evidence is heard and legislative proposals are marked up into final form. Analyzing issues in re-

sponse to committee requests "makes our work more relevant," the CRS staffer says.

Assisting committees can also involve suggesting expert witnesses for hearings, analyzing testimony, and even the temporary assignment of CRS staffers to committees. This last usually occurs when particularly complex or important legislation is in the works.

CRS's influence on congressional actions depends to a large extent on individual talents and relationships. Some committees, such as those dealing with the armed services and government operations, have used CRS relatively little. Others, dealing with foreign affairs, taxation, education, and labor, have closer ties to the organization.

Congress in recent years has required increasing amounts of information and analysis of issues to carry out its legislative functions. CRS Director Gilbert Gude, a former Maryland congressman, attributes this growing thirst for data to three factors: expansion of the congressional staff, which now numbers more than 18,000; emergence of increasingly complex issues such as auto emission controls and solar energy development; and a proliferation of subcommittees.

CRS was called on to handle 294,000 information requests from members and committees in the fiscal year ending last Sept. 30. Such a work load has



Congressional Research Service Director Gilbert Gude, shown outside CRS offices, is a former congressman.





Professional researchers in the Congressional Reading Room receive several hundred queries on the average day. In all, CRS handled 294,000 information requests for members of Congress and congressional committees in the fiscal year that ended last Sept. 30. CRA not only answers requests, but develops in advance information that it feels will be needed.

PHOTO: NIKOS GONIS



Morton Rosenberg answers a query. A lawyer, he works in the CRS American Law Division, which focuses on court issues.



Information congressmen get from CRS is used for more than work on legislation. Rep. Robert R. Livingston (R-La.) discusses with Martha Buddecke, his press aide, material on the Middle East that she obtained for a speech he is making.

led Mr. Gude to impose management systems on the organization similar to those employed in the private sector.

To begin with, he has delineated a four-level chain for handling information requests. First, the hot line refers priority calls to the Congressional Reading Room, which receives several hundred queries on the average day.

If a request is for background information on a general subject—tax reform or air pollution controls, for example—the query is passed on to a

reference division, which assembles packets of information and does background research for hot line inquiries of a less urgent nature.

Information requests that appear to require more in-depth analysis are sent to research divisions. And the most complex and sensitive inquiries are passed on to senior specialists, who serve as experts-in-residence on a variety of key issues.

The research divisions form the heart of CRS. There are seven, cover-





The documents Sen. Jesse Helms (R.-N. C.) and three of his aides are holding all came from the Congressional Research Service. They concern effects of a bill the senator successfully sponsored which legalizes contracts in the U. S. that are based on gold or foreign currencies. From left: John Carbaugh, Howard Segermark, Sen. Helms, and Carl Anderson.



A nonurgent request for background information on a general subject, such as tax reform or air pollution controls, goes to a reference division if the request can be met without extensive analysis.

ing specific subject areas: American law, economics, education and public welfare, environment and natural resources, foreign affairs and national defense, government, and scientific policy. Each is headed by a senior specialist and staffed by highly trained professionals who prepare the in-depth analyses and research projects—1,077 last year—that can be invaluable to a congressman who wishes to promote or oppose a piece of legislation.

#### Sunbelt vs. snowbelt

For example, a recent study requested by Sen. Henry L. Bellmon (R.-Okla.) provides a massive volume of data on patterns of regional growth and how it has been shaped by federal programs and policies. The report is expected to be used by legislators from Southern and Western states in the accelerating dispute over sunbelt vs. snowbelt growth.

A CRS official points out that the organization does not merely respond to information requests, but also works to develop information that will fill perceived needs of Congress. "We now place greater emphasis on emerging issues," he says.

Since February, 1977, CRS has turned out a series of background pa-





CRS has an impressive supply of pamphlets and other material in stock to help quench the congressional thirst for information.



Advanced college degrees abound in the CRS staff of 800, of whom 500 are in the professional category. Brenda Wesner works in an inquiry unit, taking calls and routing them to the appropriate researchers. She has a master's degree.

pers relating to energy, including studies on energy taxes, import quotas, and price controls.

This broad-scale effort was launched in anticipation of President Carter's energy package, which was made public last April, and was aimed at preparing members of Congress for the wide-ranging debate that has ensued. In addition to preparing the background papers, CRS reviewed the administration's National Energy Plan, summarized public testimony on the proposal, and prepared numerous studies on specific energy issues.

While most studies address straight policy subjects, some tend to lead analysts into unusual areas. For example, in the energy field, a congressman asked CRS to investigate new systems for using manure from feedlots in order to reduce pollution and obtain a new fuel source.

Another congressman wanted to know how much gasoline was consumed at the Indianapolis raceway (where most racing cars use methanol).

Specialist Walter Kravitz recalls one of the more quaint CRS research ventures: "Someone asked for a study on garbage disposal in the antebellum South. I don't know why he wanted it, but we did it."

The Economics Division performs much research and analysis that is of particular interest to the business community. The division has 60 professional analysts divided into ten sections: business and industry, taxation, transportation, money and banking, housing, international economics, labor, government finance, energy and utilities, and quantitative analysis.

#### Series on steel

When a particular issue emerges as having unusual importance, such as the steel industry's problems this past year, the division will add it to its list.

"We did a series of reports on the steel industry because we had so many congressional requests," says Edward Knight, coordinator of the business and industry section. "The issue was changing rapidly, so we decided not to produce one big report, but tried to provide an ongoing review of what people were saying."

Other recent Economics Division studies deal with the franchising industry and how it is changing, and to what extent the Consumer Product Safety Commission is fulfilling its mandate.

Also, one member's concern over growing competition for the U. S. Post-

al Service prompted a corporate profile on United Parcel Service. The division compiled information from available literature, government regulators, and UPS personnel in order to discuss the company's competitive stance, efficiency, financial position, and growth potential.

Another report delved into the development of U. S. antimerger policy since the turn of the century. "This was prompted by growing interest in horizontal and vertical divestiture for the oil industry," says Mr. Knight. "We decided to develop a historical perspective to provide background information useful in addressing the divestiture issue."

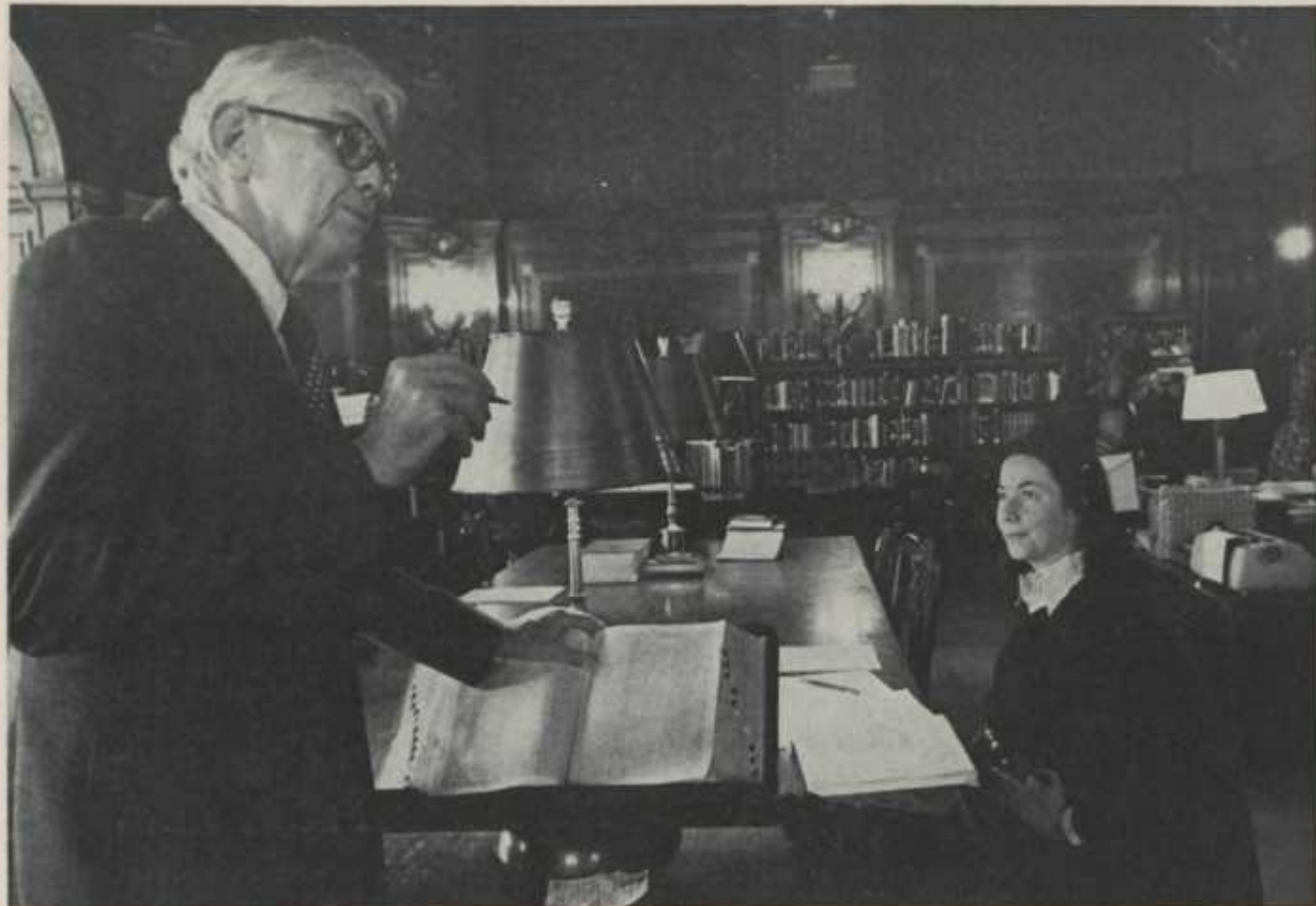
At the top of the CRS pecking order are the senior specialists, all leading experts in their fields.

#### Familiar with tax shelters

For example, Senior Specialist Harry G. Gourevitch is a well-regarded authority on taxation who came to CRS from the Securities and Exchange Commission, where he was tax counsel in the Corporate Finance Division.

His familiarity with tax shelters was well used by the House Ways and Means Committee in preparing the Tax Reform Act of 1976. Due to the





The lady to whom Mr. Gude is making a point in the Congressional Reading Room does not fit the general mold of those for whom CRS answers questions or analyzes issues. She is not a member of Congress, a staffer for a member, or on a committee staff. But Mrs. Deba Leach is getting data for a congressman—her husband, Rep. James A. S. Leach (R-Iowa).



Until passage of the Legislative Reorganization Act of 1970, CRS staffers—these are among 20 call-takers in the inquiry unit—served only members of Congress, not committees. Committee work has made CRS far more influential.

interest of Senate Finance Committee Chairman Russell Long (D-La.) in employee stockholder ownership plans, Mr. Gourevitch has been looking into ESOP's with an eye to what extent the government should encourage their spread. And in anticipation of renewed focus on tax reform this year and next, he has been working on questions such as double taxation of dividends and taxation of Americans abroad.

Senior Specialist Kravitz has been with CRS for 20 years and is considered one of the most knowledgeable people on Capitol Hill in the area of congressional history and structure.

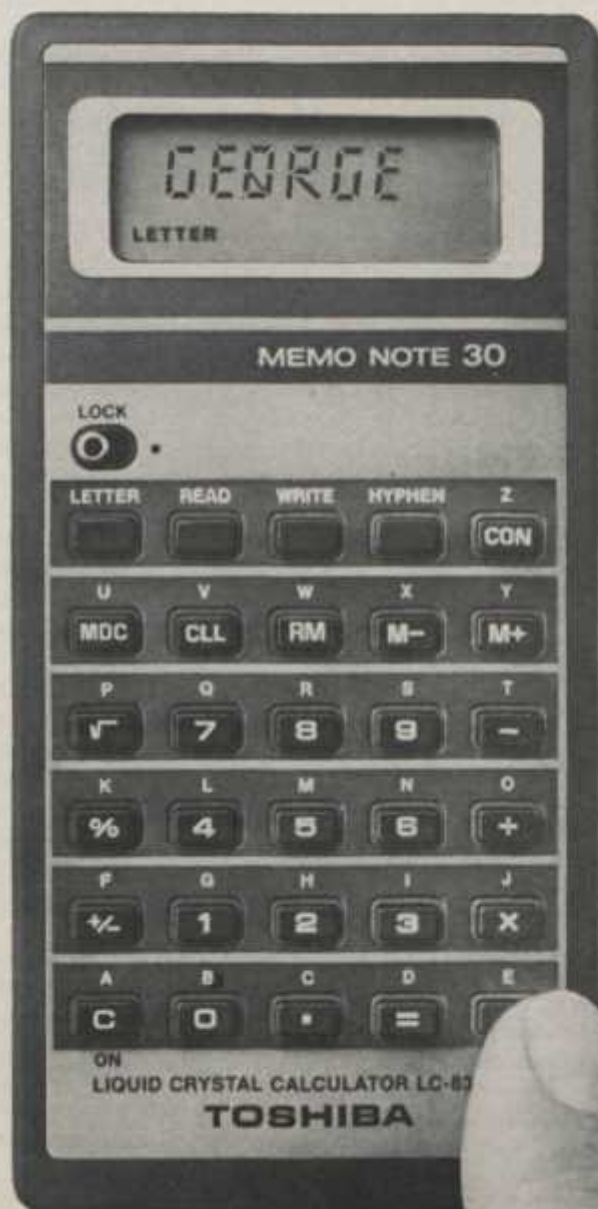
He receives a steady stream of phone calls asking for information and advice, often on rules and tactics involved in passing legislation. Last year, he worked with a committee headed by Sen. Adlai E. Stevenson (D-Ill.) that brought about Senate committee reform. Mr. Kravitz helped analyze the impact of different organizational possibilities on the problem of proliferating committee assignments.

While in-depth research studies are the showpieces of CRS, nuts and bolts services are what basically keep mem-



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bers of Congress informed on a wide variety of issues they deal with.

For example, a biweekly digest lists all bills and resolutions introduced during a session of Congress.

Before each session, CRS prepares a series of "emerging issues" papers for each committee, highlighting key topics the committee is expected to address during the year and programs under its jurisdiction that are due to expire.

Throughout the year, CRS compiles about 200 issue briefs on current subjects under discussion.

#### **From saccharin to zero-base**

In addition, CRS compiles reports on subjects of general interest. Topics covered in 1977 included federal aid to domestic transportation, zero-base budgeting, saccharin, and integration of corporate and shareholder income taxes.

Other special services that CRS offers include analysis of outside comments on legislative proposals, use of analytical models to test fiscal and monetary policies, and review of specific legislative proposals. Seventy-four legal analysts in the American Law Division provide ready interpretations

of court decisions and legal issues. And if a member or aide wants to do his own research, CRS obtains the relevant materials from the Library of Congress.

CRS emphasizes confidentiality and objectivity.

Pushing a popular issue might please leaders of Congress at a given moment, but eventually it would do CRS in, CRS staffers feel. In fact, charges of bias have been leveled at CRS's sister organizations, the Congressional Budget Office and the Office of Technology Assessment.

To avoid such threats, CRS staffers jealously guard their reputations as nonpartisan analysts who merely present factual information and keep out of the spotlight, which is exactly what Congress wants them to do. "Hill people want to hold the ball of wax in their own hands," comments a congressional aide. "They don't want CRS people telling them what to do or taking credit for committee accomplishments."

Specialist Kravitz highlights the need to be objective by pointing out that he is frequently called on to prepare cases for and against the same issue. "Few public policy issues are all

black or white," he says, adding that, in the process of analyzing an issue from both sides, he often convinces himself that each case is "right."

To ensure that a study going out under the CRS imprimatur is objective, it is subject to an extensive review procedure, first by supervisor, then by division chief, then by a central review unit. If CRS is asked to approach a subject from a particular viewpoint in the first place, the piece of research is issued with a disclaimer identifying it as "directed writing."

Even with care, however, CRS can't avoid ruffling a few feathers among congressmen. A report on no-fault auto insurance upset some members who felt it was excessively slanted in favor of proposed legislation. And many congressmen are not really content to read purely objective reports; they want ones that support their own viewpoints.

#### **Expansion ahead**

CRS also arouses animosity by turning down requests for studies it feels it cannot handle. For example, it claimed it did not have sufficient resources to tackle an extensive research project on corporate disclosure of major stockholders requested by a Senate subcommittee.

Some congressional groups have opted to use outside research organizations, after detecting reluctance on the part of CRS to tackle studies they requested.

In the future, CRS hopes to expand to the point where it won't have to turn down research requests. Also, Director Gude envisions CRS breaking out of its behind-scenes mold with publications for the public. He plans a monthly bulletin with articles by CRS staffers discussing current policy issues.

In two years, CRS is slated to move across the street to the new Madison Building of the Library of Congress, where the organization will have room for more people. The staff will probably be expanded to the 900 originally intended by the 1970 legislative reorganization law.

If plans are realized, by the end of the decade CRS will have half a dozen reference centers throughout Capitol Hill and several new computer systems capable of producing information on hundreds of subjects at the push of a button.

As long as Congress keeps demanding a growing amount of information, CRS expects to grow, too. □

## **SERVICES TO THE PUBLIC BY THE NATIONAL LIBRARY**

Although established in 1800 to purchase books for the use of Congress, the Library of Congress has grown to become the national library.

The public can have access to its regular and special collections, which consist of 18 million books and 58 million other items. Included are extensive accumulations of Far Eastern and Russian volumes, the world's largest collection of aeronautical literature, American history manuscripts, maps, photos, recordings, prints and drawings, and periodicals.

Other services to the public:

- Books for the blind. Braille books and "talking books" on records and tapes are distributed through 55 regional libraries. Recordings are made by such celebrities as columnist Art Buchwald, actor Alexander Scourby, and actress-writer Dale Evans.
- Cataloging. The Library of Congress provides cataloging and bibliographic information for libraries and other institutions.
- Copyrights. The library registers

copyrights for books, periodicals, compositions, art works, movies, and records.

- Genealogy. Material that is helpful in tracing family trees is available from the Local History and Genealogy Reading Room, which contains 5,000 volumes of indexes, guides, and census records.

- Law Library. This contains extensive collections of material on legal systems and law languages around the world.

- Photoduplication. Manuscripts, prints, and other special materials can be photocopied for a fee.

- Special events. The library sponsors poetry readings, concerts, ballet, and art and historical exhibits. For example, the fare for one evening recently included a chamber music quartet, a poetry reading, and a Yankee colonial music concert.

- Technical information. The Science and Technology Division provides a free referral service and will research literature for an hourly fee.



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## LESSONS OF LEADERSHIP

# Speaking Out for Fundamental National Principles

Shearon Harris, new chairman of the National Chamber, is an "eternal optimist" who thinks the U. S. can overcome many of its problems by rejecting deficit spending and overregulation

**W**HEN Sarah Harris appeared at a casting call for a stage play in New York City a few years ago, she was asked: "Have there been any actors in your family?"

She hesitated, then replied: "Well, yes. My grandfather was a Southern Baptist preacher, and my father was a country trial lawyer—both of them big hams."

Shearon Harris, her father, tells that story with a chuckle. He is proud of his past as a country lawyer. But his career provides much more cause for pride.

He is chairman and chief executive officer of Carolina Power & Light Co. He is a recognized expert in the energy field in general and nuclear power in particular. (He served on Jimmy Carter's energy task force during Mr. Carter's presidential campaign.) And now he is chairman of the board of the Chamber of Commerce of the United States. He will serve as chief elective

NATION'S BUSINESS • MAY 1978



officer of the world's largest business organization for the next year.

A tall, soft-spoken native of North Carolina, Mr. Harris cheerfully admits he is an "eternal optimist." While the nation is struggling with a shopper's list of worries, he says, "I have great confidence in our ultimately working out all of our problems."

#### Step toward solutions

A major step toward some of these solutions, he believes, would be to re-evaluate processes that have moved the country away from some of its original, fundamental principles.

One example?

"Deficit spending. A responsible citizenry can't defer obligations to later generations. I just don't think it is acceptable in a time of strong economic activity to continue deficit financing of the government and go on piling up our national debt."

Another?

"Overregulation by government."

Reflecting a philosophy he believes is shared by almost all of the business community, Mr. Harris says there is no quarrel over the desirability and even the necessity of some regulation.

#### Needless consumer costs

The quarrel, he says, is over the nth-degree type of regulation which piles on unnecessary costs that the consumer must ultimately pay and which creates an uneasy atmosphere that discourages business from expansion—expansion needed to create jobs for the nation's enlarging work force.

As head of Carolina Power & Light, Mr. Harris leads a company which last year had \$808 million in operating revenues. It serves an area of 30,000 square miles—almost half of North Carolina and about one fourth of South Carolina—in which nearly three million people live. It has 5,200 employees, five divisions, and ten district and 41 area offices.

Its power—it has 13 generating plants—is 35 percent nuclear. The bulk of the rest is coal-produced. "Our fuel mix is what the nation seeks to achieve in 1985 or later," Mr. Harris says.

Mr. Harris joined CP&L at its headquarters in Raleigh in 1957 as associate general counsel. He became a vice president in 1960, a member of the board in 1961, and general counsel

in 1962. He was named president in 1963, chief executive officer in 1969, and chairman as well as CEO in 1970.

Mr. Harris has been a leader in the electric utility industry, as indicated by the fact that he has served as chairman of the Edison Electric Institute, the National Association of Electric Companies, and the Electric Power Research Institute, among many activities.

The company he heads is respected as well-managed and at the forefront of its industry. He is a founding member of The Business Round Table and is a member of the Business Council.

#### An early start

Shearon Harris's career got off to an early start because he skipped two grades in school and entered Wake Forest University at the age of 15. He took both his A.B. and law degrees there, working his way through college, and then entered the aforesaid practice of law in the small town of Albemarle, N.C.

A man who believes people should take an active interest in government, he participated in North Carolina's state government as an employee—assistant clerk of the Senate, principal clerk of the House—and some years later, as a legislator. He served a term as a member of the House.

He holds the Bronze Star and Legion of Merit citations for service in the European theater during World War II. Mr. Harris, who entered the Army as an enlisted man and was commissioned a second lieutenant while overseas, was assigned various rear-echelon duties. At first, they did not include service as a lawyer in the Judge Advocate General's office, for which he felt his law practice back home qualified him. When he entered the Army, he was five years younger than the minimum age—28—for such service. "Until I was commissioned, my work was signed by the commissioned lawyers," he quips.

#### Up to any challenge

Mr. Harris is a man of strong beliefs, and his outlook on life is best revealed in his invariable answer to anyone who asks him: "How are you?"

The reply: "The best in the world."

There is a poignant background to this answer. It stems from his friendship with a neighbor, long ago, who

always replied to similar questions that he was first-rate. Years later, when the man was dying of cancer, Mr. Harris visited him. The man couldn't talk, but he raised a single finger to signify he was still first-rate, No. 1.

Right then, Mr. Harris determined that he would try to emulate that display of character with something which would signify that he, too, was up to any challenge.

Mr. Harris is married to the former Helen Finch Morgan, of Albemarle.

#### Knows where he is going

"No, I don't remember how I got to know him," she says with a laugh. "I just knew him. In a small town, you know everyone. I do remember that one day, when he was a young lawyer, he called me up and asked me if I would go to a Lion's Club picnic with him."

"I did, and before he took me home he had already asked for another date for a specific night. And it went like that. You know, he's a person who knows exactly where he's going at all times. I don't think we ever had a date when he didn't make another one before that one was over."

The Harrises have three daughters, Sarah, an actress in Hollywood, Calif.; Mrs. Jennie H. Bell, a teacher of British literature in Durham, N.C.; and Susan, a state government employee in Raleigh.

In this interview with NATION'S BUSINESS, Mr. Harris talks about his life and his goals for the National Chamber.

#### What do you hope to accomplish in your term as chairman of the Chamber of Commerce of the United States?

The National Chamber is a very effective voice for the business community, and I certainly want to see this continue. I think we must address ourselves to the issues which confront us.

I am very much of a fundamentalist, and I have a tremendous appreciation for the value of experience. Most everything we do as a democratic society has evolved out of some kind of experience. I believe that we, as a country, need to concern ourselves more with some of the fundamentals that we may have departed from.

On issues, I am terribly disappointed



with President Carter's proposed \$500 billion budget that contemplates a \$60 billion deficit. Deficits are one of three major factors fanning inflation. The others are wage increases which are not matched by increases in productivity and the hidden costs of overregulation.

I have a philosophy that a responsible citizenry can't defer obligations to later generations, and I hope to speak out on this. I just don't think it is acceptable, in a time of strong economic activity, to continue deficit financing of the government and go on piling up our national debt.

Another thing I hope to do is go to college campuses and talk about the kind of heritage today's generation of leadership is shaping for the young people of the next generation.

**Some say there is a bit of an estrangement between the business community and President Carter. Is there?**

I don't know that I would want to call it an estrangement. As governor of Georgia, Mr. Carter kept the business community at a considerable arm's length, and in his early days as President, there was a puzzlement on the part of business as to just what kind of communications he would like to have with the business community.

In recent months, there has been a demonstrated awareness on the part of the President and the White House staff that business input should be welcomed. But I am not so sure there is a clear signal that business community advice and representations are having a great deal of effect.

**What do you see as the proper role of business in government?**

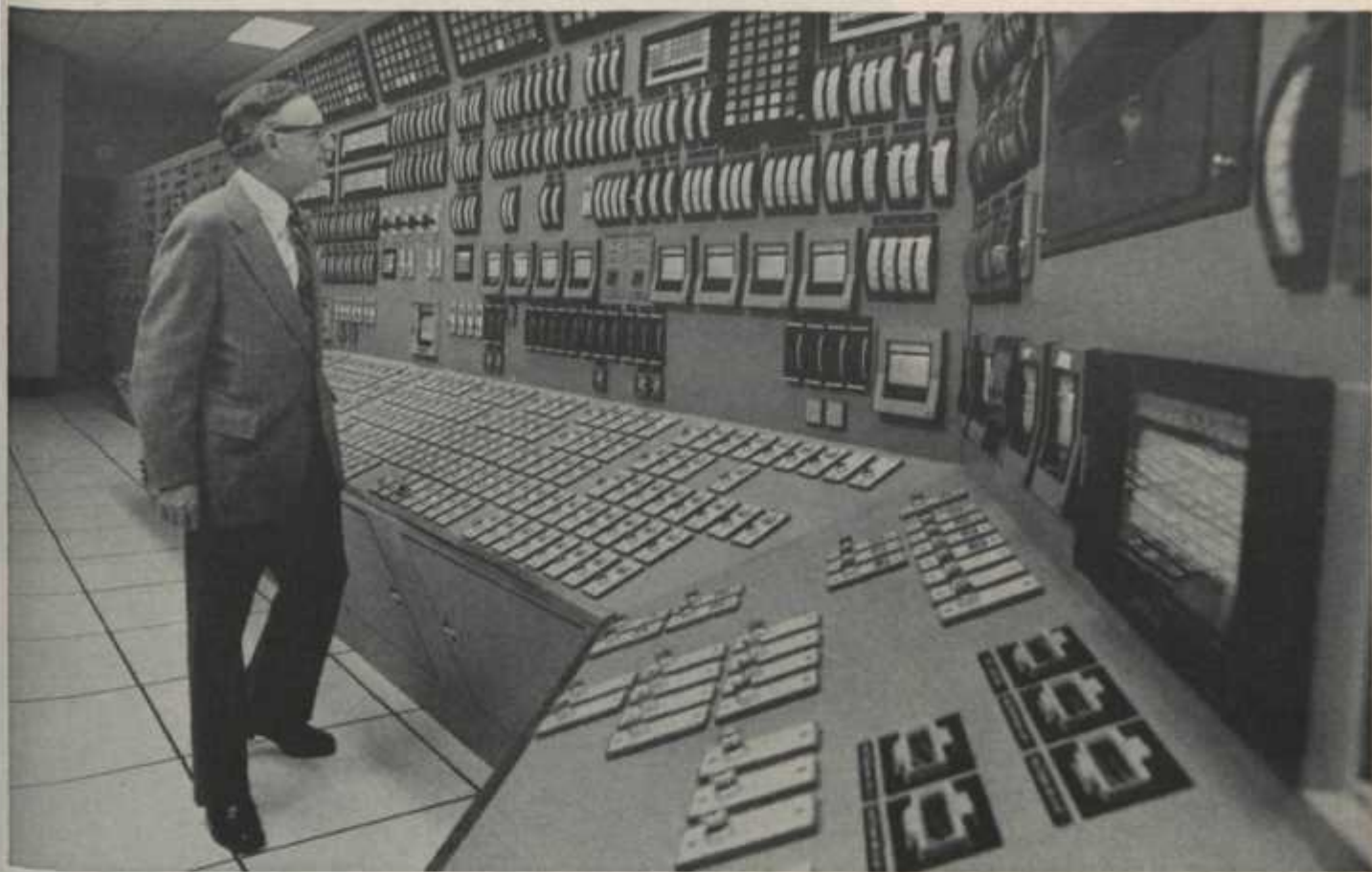
A businessman has a citizenship obligation as an individual. Also, the interface between the business community and government should help government develop policies that will let the processes of our free, competitive enterprise economy function well.

**In almost every discussion about the economy, the term business confidence crops up. How do you define business confidence?**

I think the best measure of business confidence is the willingness of managers to make or increase business investments. When managers weigh an investment decision, they are looking at what they think the condition of the economy is going to be and what their opportunity for profit from that invest-







When CP&L's next nuclear power plant is finished, a control panel like this one will be its operating heart. The plant will be named for Mr. Harris.



CP&L has more than 5,000 personnel serving an area of 30,000 square miles. The two top executives are Mr. Harris and the president, Sherwood H. Smith, Jr. (right).

The most lived-in room in the home of Mr. and Mrs. Shearon Harris in Raleigh, N. C., is their den. The walls are lined with pictures of their family and memorable moments in their lives.

ment is going to be. Right now, business confidence as measured by willingness to make investments comes down on the side of uncertainty.

Many business people are so uncertain about what's going to happen in government regulation that they do not feel confident of being able to earn enough on a new investment to justify their making it.

**What do you see as the biggest problem for business in the year ahead?**

The major concern business people

ought to have today is overregulation by government. I think regulation is almost out of control.

**Would you want to start a small business in today's regulatory climate?**

This is one of the concerns my predecessor, Bill Eastham, has expressed during his term of leadership of the National Chamber, and I totally subscribe to it. For a small business today to comply with all government regulations is a tremendous burden. I think this burden stops a lot of small businesses from ever forming.

**President Carter has said he wants to reduce overregulation. Do you think he can?**

Well, the proliferation of bureaucracy is a very, very strong force. Until the people, through their election of members of Congress as well as the President, really speak out strongly—saying that they are fed up—I don't think we're going to have much constraint.

Any administration, regardless of party, claims it has to provide services that state and local governments won't



or can't provide, and it gives this as the reason for heavy federal spending—and heavy regulation.

We have looked to the central government to do more and more, and people seem to think that, because the central government can do something, it doesn't cost something. People, it seems, will opt for the easy, cheap way out today without regard for the inevitable expense that they are going to bear a little later.

I believe in public understanding not only of the short-term benefits of government action, but of the long-term costs. The public needs a better fundamental understanding of how our economy operates, how our government operates.

**How do you feel regulation affects your company, which is in a highly regulated industry?**

A great deal of regulation which we deal with is necessary. Since we are a monopoly, we have never said that the price of our service to the consumer ought to be unregulated.

However, some of the regulation to which we are subjected is another matter. Take environmental standards that are a major cost to our consumers.

We built a \$43 million cooling system for one of our nuclear power plants, one that met all existing regulations.

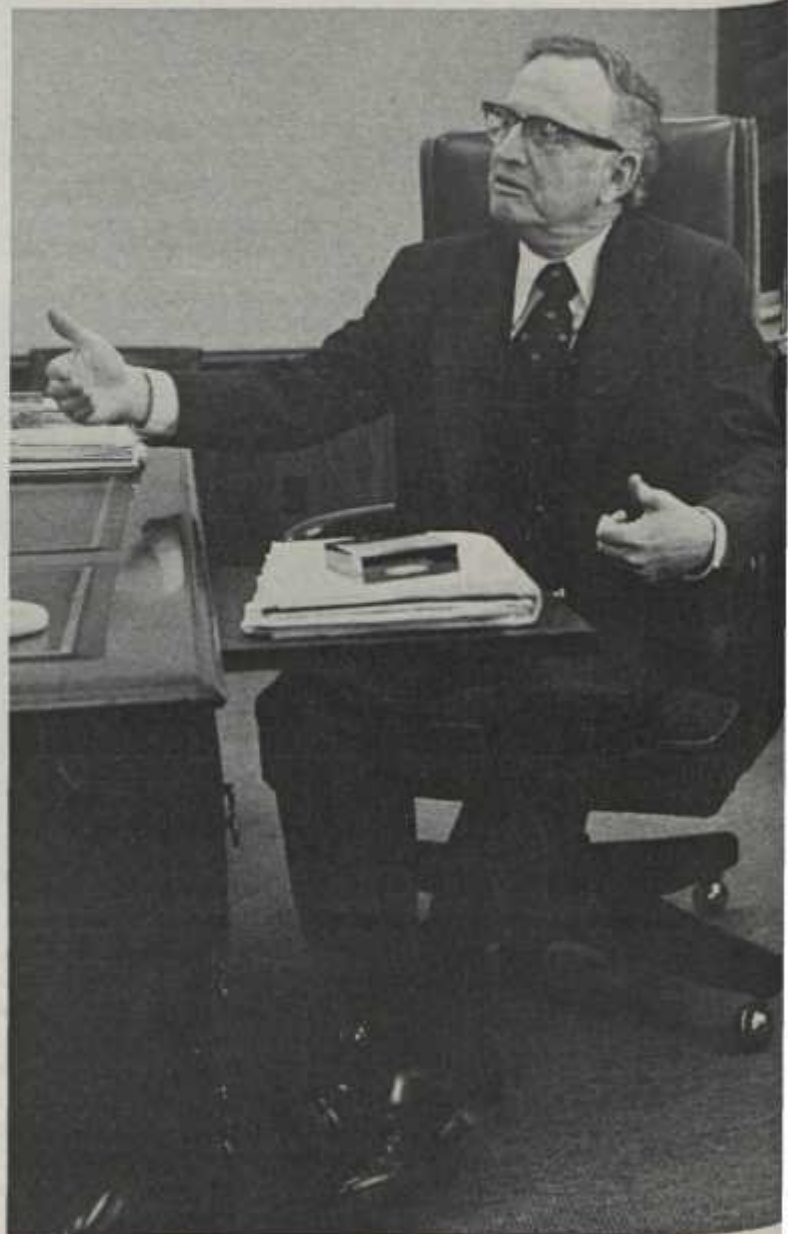
Then the Environmental Protection Agency came along and said we had to put in a completely different cooling system, using towers, in order to protect the marine organisms which pass through the condenser.

This water warms the ocean temperature about two degrees. The commercial value of the marine life—if it grows to maturity—is roughly \$40,000 a year, or about what one shrimp boat would remove. We would have to invest \$100 million for the towers, and our consumers would have to pay \$500 million for this over the life of the plant. We're appealing this order.

**What do you see as the major issues concerning business in Congress?**

I don't really see final resolution of very many issues taking place this year in Congress. Energy is very important, but even if legislation is passed, I don't think that's the end of this issue.

I don't think the President's tax program will move along very fast. There doesn't seem to be a coalescing of either leadership or membership in Congress on any of the big issues.



Chairman Harris describes himself as an "eternal optimist." He believes that while the nation may have a lot of problems, it can solve them, as it always has in the past. The golf ball on his desk is one he hit which qualified him for a hole-in-one club.





CP&L managers regularly come in from the field to meet with top company officials. Performances and goals are discussed in daylong sessions. This scene is at a lunch break at a recent meeting.

**Are you optimistic about the future of business?**

I'm an eternal optimist. I have great confidence in our ultimately working out all of our problems.

**What are some of your work habits? You keep a pretty clean desk.**

Well, as an old country lawyer—most of us kept desks stacked up with all kinds of things—I guess I've developed a discipline. I try to keep things in a fairly neat stack. If I have a stack to tackle, I always reach down and pull out the thickest thing in it first. Psychologically, I feel a little less pressure if the stack is lower, and this way, it goes down in a hurry.

I write myself little memoranda sometimes when I am away from the

office. But I don't wake up in the middle of the night to generate new ideas. I feel very comfortable about the grip that I have on most things that I do. I spent a lot of time getting the right people into the senior positions in the company, and I have a lot of confidence in their competence.

At age 60, I am really in the process of moving from 100 percent responsibility as chief executive over the next years to zero. My objective is that, when I retire, nobody will know I didn't come to work that day, and we will have made a very smooth transition.

**Were you a typical country lawyer, handling every type of case from a fence-post dispute to a criminal trial?**

Yes. When I went to practice in Albemarle, the county seat of Stanly County, in 1939, the town had 12,000 to 14,000 people, and the county about 35,000. There was no such thing as a specialty in the law. Besides, you never knew what something would lead to. A \$5 deed job might have been for someone who later would bring you something really big.

This happened to me. A client asked me to collect some new accounts. I didn't know it, but another law firm had already tried to collect and couldn't. I just went around and collected \$1 or \$2 a week until I finally got it all. Eventually, this client built a business that is probably worth more than \$10 million, and I was for many years counsel of the firm. It all stemmed from that little collection job.

**Do you remember the first speech you ever made to a jury?**

I can remember the first significant speech. I was employed as a special prosecutor in a horrible murder case. It was on Thanksgiving Day.

**Did you win the case?**

The fellow was convicted of first-degree murder.

**You ran a boardinghouse to work your way through college, didn't you?**

Oh, I worked at a lot of things. I was the son of a small-town Baptist preacher, and I went to college in the depth of the Depression. If I wanted an education, I had to get it myself. My father exhausted his last resources to get me through my freshman year. As my second year approached, he asked me: "Are you going back to college this fall?"

I said: "Yes, sir." And he said: "Well, you know where it is." Which, as far as



"I just don't think it is acceptable, in a time of strong economic activity, to continue deficit financing of the government."



I was concerned, was his way of saying that if I wanted to go, I'd have to do it on my own. And for the next five years, I did. I waited on tables, fired furnaces, and taught a remedial class for \$15 a month on a Federal Emergency Relief Administration grant.

One year, I rented a house that slept 50 students and fed 75. I hired an ex-

In my first year in law school, I became interested in a man who was running for governor, Clyde R. Hoey, and I organized a Hoey-for-governor club on campus. He was elected, and with his help, I got a job as an assistant clerk of the North Carolina Senate while I was still in school.

After I got out of school and went

however landslide in 1956 took me out of the legislature. It was responsible for my entering the power business.

#### How was that?

Because I was not a member of the House in 1957, I participated in some lobbying activities which drew me to the attention of the management of

## Others in Positions of Special Responsibility



The new vice chairman of the National Chamber is Jay VanAndel, chairman of Amway Corp., U. S. A. The highly successful company, which is headquartered in Ada, Mich., was founded by Mr. VanAndel and a partner 19 years ago.

Jay VanAndel, chairman of Amway Corp., U. S. A., Ada, Mich., is the new vice chairman of the Chamber of Commerce of the United States.

He has been a director and regional vice chairman of the National Chamber.

Mr. VanAndel founded Amway

Corp. in 1959 with Richard DeVos and has seen it grow into a company which last year had a sales volume in excess of \$375 million. He and his wife, Betty, are the parents of two sons and two daughters.

William K. Eastham, president of S. C. Johnson & Son, Inc., Racine, Wis., and immediate past chairman of the National Chamber, is new chairman of the National Chamber's executive committee.

Robert T. Thompson, senior partner in Thompson, Mann, and Hutson, Greenville, S. C., and Atlanta, Ga., is treasurer of the National Chamber.

Regional vice chairmen are:

Robert F. Erburu, president of The Times Mirror Co., Los Angeles.

Wilbert F. Newton, vice president, corporate marketing, of PPG Industries, Inc., Pittsburgh.

Russell H. Perry, chairman and chief executive officer of Republic Financial Services, Inc., Dallas.

Tom B. Scott, president and chief executive officer of UNIFIRST Federal Savings & Loan Association, Jackson, Miss.

Harold H. Short, chairman of Flatiron Companies, Boulder, Colo.

A. Dean Swift, president, chief administrative officer, and a director of Sears, Roebuck & Co., Chicago.

cellent cook. The college didn't have a dining hall, and everybody ate in private boardinghouses.

#### Did you always want to be a lawyer?

My father said that he gave me a child's biography of Abraham Lincoln when I was in the first grade, and after I read it, I said I was going to be a lawyer. I can't remember thinking of another career when I was young.

You had a brief career in politics, didn't you?

into practice, I offered myself for the elective job of clerk of the House. The man who had it also had a full-time job in the state revenue department, and I campaigned on a platform that said nobody ought to have two jobs until all of us had one. I won, and then I served a second term before going into the Army.

I offered myself for the state legislature from my county in 1954. We were a very balanced county in registration, but I was the first Democrat to be elected there in 14 years. The Eisen-

this company, and they asked me to join their legal department.

#### And that eased the pain of defeat at the polls?

I really didn't appreciate being rejected by the voters and really wondered how the legislature would function without me. But it did, and I came to realize that the defeat led to greater things. □



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# The Big Ifs in Coal's Future

By Constance D. Holmes

**T**HERE HAS BEEN lively debate during the past year about the ability of the coal industry to increase annual coal production to reach the goal required by President Carter's National Energy Plan—roughly doubling 1977 output by 1985.

Unfortunately, this debate has at times been rather one-sided, and the near-unanimous conclusion of government economists and private analysts has been that it is quite impossible for the industry to reach this lofty goal.

The coal industry has been almost alone in its contention that the goal can be met—if there is enough demand for coal and if governmental constraints do not prohibit both mining and burning it.

Doubts about the industry's ability to meet the 1985 goal provided newspaper columnists with ready copy during the recent coal strike. However, just as the effects of the 110-day strike never reached predicted levels, the doubts about the long-run impact were overdrawn.

The strike was a passing phenomenon which does not alter the fact that coal is by far the nation's most abundant fuel; the loss of less than half of U.S. coal production for a short period cannot compare with the impact of another Arab oil embargo.

## Problems and arguments

While total coal production in 1978 may be somewhat less than it would have been without the strike, the long-run growth of the coal industry will continue unabated.

The coal industry produced approximately 690 million tons of coal in 1977, slightly more than half of the 1.2 billion tons the President calls for in 1985.

Those who say the 1985 production goal will not be met argue that transportation is inadequate; that manpower

requirements are so great, especially in the face of falling productivity, that there may not be enough miners; and that the unprecedented amounts of capital and the mining equipment needed will not be available.

Also, they invariably point out that the coal industry has only increased annual production by 70 million tons since 1974, far short of the amounts forecast by the original 1974 Project Independence report.

But there really are only two reasons why coal production would not reach 1.2 billion tons or more by 1985—insufficient demand or unreasonable constraints imposed on both the coal industry and the coal user industries by government.

## Reasons for optimism

There are several reasons to be optimistic about future demand for coal:

- Existing electric utility plants and those now planned for completion by 1985 will burn more than 800 million tons in that year.
- Manufacturing plants used considerably more coal in 1977 than in previous years, and there is every reason to

believe these industries will rely increasingly on coal in the next few years for security of both supply and price. It is estimated they will burn approximately 130 million tons in 1985.

• Use of metallurgical—coking—coal depends upon the health of the American steel industry, but the coal industry expects a minimum of 90 million tons will be used for coking purposes in 1985. Likewise, the level of coal exports depends in great part upon the world steel industry, but with a reasonably healthy market for steel, the U.S. should export 80 million tons or more in 1985.

Thus, demand for approximately 1.2 billion tons seems fairly well assured by 1985 if, and this is a big if, environmental constraints are not so unnecessarily restrictive that they either prohibit outright the use of coal or make its use so costly as to outweigh the advantages and incentives coal has over other fuels.

Although production has not shown the dramatic increases forecast in 1974, the productive capacity of the industry has grown rapidly—from 620-650 million tons in 1973 and 1974 to 775-800 million tons now. The extra 100 million tons or so that could be mined this year is not being mined because demand for coal has not kept pace with the growth of the coal mining industry.

A recent National Coal Association survey, which is turning out to be the most conservative study around, shows that more than 100 major coal companies already have plans to open or expand 332 mines by 1985, which will add almost 600 million tons to total annual production. Many of those major companies will announce additional expansion plans over the next few years.

And this represents only part of the industry. There are 2,000 small producers hoping to grow larger. So, combining current production capability with planned expansions and additions, some of which will be used to replace existing production capability, and considering the fact that there are many companies with unannounced expansion plans, it appears that forecast production levels can easily be achieved.

## Rails' uphill road

But announced plans are just that, and it can be a long, hard road from announcement to the first trainload shipped. Some of the constraints men-



Mrs. Holmes is vice president for economics and foreign trade director of the National Coal Association.



tioned earlier could seriously impede the growth of the coal industry.

Transportation is a good example. The railroads must increase coal hauling capability along with the increase in coal production. This expansion will be expensive. An investment of more than \$10 billion will be required by 1985 to meet the demands placed on the rail network by an expanding coal industry. Likewise, the lock and dam system on the nation's waterways must be modernized and the waterways' capacity increased to handle the large volume of coal traffic expected to move on the rivers in the future.

Mining 1.2 billion tons of coal will require a labor force roughly double that of today. Also, the industry must recruit more young miners to replace the many older miners who will soon reach retirement age. This new labor force must be trained to mine coal safely and efficiently—a tremendous job that is time-consuming and expensive. The coal industry is preparing a massive program of training and annually retraining these miners.

Equipment suppliers must continue to expand their capacity to manufacture mining machines needed for both new and existing mines.

#### Heavy capital needs

The capital requirements for the coal and supporting industries are tremendous, especially in view of their past levels of capital expenditures. Coal industry capital expenditures averaged less than \$500 million per year prior to 1973. More than \$2 billion will be invested this year by the coal industry itself, and through 1985 the need will be \$23 billion to \$25 billion.

Private industry can plan for and handle these constraints and is prepared to accept reasonable risks if there is reasonable assurance of an adequate rate of return on the huge investments required. The constraints that are difficult to foresee, plan for, or overcome, are those artificially imposed by government at all levels. The coal industry needs assurance that investments made today will not be rendered obsolete by some law passed tomorrow or next year that changes the game plan—retroactively.

The coal industry is heavily committed to the future. It can and will mine all the coal the nation requires if governmental constraints do not delay or outright prevent construction and operation of mines and user facilities.

Already, government constraints are pressing in.

Air quality regulations impact heavily on how and where coal may be used, and they even limit construction of new coal preparation plants that would produce a cleaner fuel.

New surface mining regulations can either prevent mining or add greatly to its cost.

The current moratorium on leasing federal coal lands can literally halt mine development in most of the West.

The coal industry isn't saying that regulations, per se, are needless, but in the zeal for enforcing such laws as the Surface Mine Law or the Clean Air

Act, the industry is facing bureaucratic overkill—unnecessarily strict regulations which go far beyond the intent of law and are costing the industry and the consumer millions of dollars.

Decisions on these matters are being made now at all levels of government, decisions which will determine whether the coal industry will meet the demand of the future. And in the end, these decisions will determine in large part whether this nation becomes more dependent upon foreign sources for our energy or whether we will use our domestic ace in the hole—coal. □

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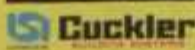
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More than 58 million Americans go camping every year, some with a simple backpack like the thirsty hiker (left) in Trinity Alps Wilderness in California. Others combine camping with trips into the back country where they can hunt and fish (right) far from the distractions of city life.



PHOTOS: UNIPHOTO



You needn't go West to camp in mountains. Many Eastern areas such as Big Bend (top) or the Spruce Knob-Seneca Rocks National Recreation Area, both in West Virginia, offer rugged camping scenes. Spruce Knob, with an elevation of 4,862 feet, is the state's highest point.

Recreational vehicle camping has much to recommend it, including comfort, but only tent campers reach areas like this in New Mexico's Taos Ski Valley (right).





# The Joy of Camping

By John Costello

**W**HEN Barbara Peterson and her two chums pulled up their battered Pinto at the entrance to the campgrounds at Yosemite National Park, they could hardly believe what they saw.

It was one p. m. on a Fourth of July weekend. By rights, the road should have been clogged with campers' cars, waiting in line to be assigned a site and admitted to the grounds. Yet not a single car was waiting at the entrance.

But their luck wasn't as good as it seemed.

"No one was waiting," Barbara says with a laugh, "because all the good campsites with running water were already gone. We—myself, Starla Taylor, and Peggy Hart—had to settle for one without water. The kind with latrines and no showers."

**T**HAT experience illustrates what many campers have learned the hard way.

If you're going to camp in a national forest or in the national park system, get there early in the day.

"Most individual campsites are available on a first-come, first-served basis and cannot be reserved," the Interior Department's National Park Service advises.

The same is generally true of national forests, the Agriculture Department's Forest Service says.

However, about a third of the state parks do take reservations, says Ney Landrum, president of the National Association of State Park Presidents.

**F**EW, IF ANY, privately owned campgrounds won't make reservations.

"We encourage campers to make them," says Hal Schipper, general manager of the Outdoor Resorts of America campground near Orlando, Fla. "Without a confirmed reservation, we can't guarantee a site. We had to turn campers away at Christmas and Easter."

However, says Ed Hardee, manager of Pirate Land Family Campground, Myrtle Beach, S.C., "except for so-called destination parks, where tourists go to spend at least several days seeing the sights, and around holidays, you probably don't need a reservation."

"We're always glad to make reservations, however."

Industry sources say there are more than 800,000 privately owned campsites in the U.S.—and the number is growing.

The National Campground Owners Association, says Executive Director W. G. (Jerry) Crumrin, has more than 2,000 members.



"Several campgrounds have more than 2,000 campsites," he points out.

**B**ARBARA Peterson, now Mrs. Craig Champion, has been camping since she was eight.

"I know what a tent feels like," she says, "more than I do a house."

At Cornell, where she earned a B. S. degree in interior and product design, she camped often with girls from her dorm.

In her junior year, she and two friends, all members of the Cornell women's hockey team, took an eight-week, 11,888-mile camping jaunt that took them to Yosemite.

The tab? About \$550 per person.

"It doesn't cost much to camp," Barbara explains.

Now a product manager at Masonite Corp. in Chicago, she was married in September, 1976. Her husband, also a Cornell graduate, is a real estate officer at Continental Bank of Chicago.

Does he camp, too?

"He does now," says Barbara.

**C**AMPERS are found in \$250,000 land yachts and \$25 pup tents. Some travel with a pack on their back, others with a six-pack in the refrigerator.

Most of them have in common a love for the great outdoors and a touch of gypsy in their blood.

Some stay in campgrounds with outdoor privies. Others, at plush recreational vehicle parks or resorts, with utilities, sauna, swimming pool, fishing lake, golf course, liquor store, and restaurant.

All told, campers number many millions. Providing them with a place to stay and with equipment is a multibillion-dollar industry.

**W**HEN Robert and Henrietta Miller leave Wapakoneta, Ohio, every fall and head for Plantation Key, Fla., they camp out, too.



But they don't really rough it. Their 40-foot, \$230,000 custom-converted Greyhound MCI has most of the comforts of home.

And a few that some homes may lack.

Like a purifier that can turn even brine into drinking water, a rotary TV antenna, a Sony Betamax videotape recorder, and a 12,000-watt generator.

Add to those comforts more common amenities: air conditioning, hot and cold running water, a fully equipped kitchen with electronic oven, garbage disposal, and refrigerator, plus gas and electric heat.

On their way South, the Millers pull their motor coach into a campground or recreational vehicle park to stay overnight.

"All I have to do," says Bob, "is pull out a cord and stick a 110-volt plug in a socket. Then I'm 100 percent self-sufficient."

But he also carries a fire ring—"a big, 11-inch diameter truck rim"—plus firewood and cooking equipment, including a tripod and cast-iron pots.

Thus, the Millers are fully prepared to get down to basics—a campfire and vittles cooked over the flames.

"I do go camping," says the Ohio entrepreneur, "and I enjoy it. But I use the motor coach primarily to check on my businesses."

In the warmer half of the year, he operates out of his hometown, Wapakoneta. From October to April, his base is the Millers' winter residence on Plantation Key, 90 miles north of Key West.

The Millers' business interests include restaurants and truck stops, a marina, and a majority interest in a professional slow-pitch softball team, the Cincinnati Suds.

**F**ROM their campsite at Pirate Land Family Campground, Edward R. Bannister, Jr., and his wife, Jean, have a view that's hard to beat.

A few dozen yards to the east is the Atlantic, whose surf pounds the South Carolina shore at Myrtle Beach.

Just a few feet away is a freshwater channel, flowing through thick stands of marsh grass. The water is a happy home for bream, bullfrogs, at least one alligator, and wild ducks.

"In summer, the full moon rises right through the marsh grass," says Jean, describing the bucolic scene, "and you can hear the bullfrogs croaking and that old alligator bellowing, right in your backyard."

Ed Bannister is owner of Bannister

## FROM BACKPACKS TO LAND YACHTS, FROM TWO FIGURES TO SIX

How many Americans camp?

More than 58 million, says a survey made by Planning Research Corp. for the Interior Department.

Of the total, 18.5 million are adult (over 18) males, and 17.3 million are adult women. Some 23 million are youngsters under 18.

Three out of ten, the survey finds, camp 20 days a year or more. Nearly all adult campers are high school graduates, and about half attended college. Eighty-one percent earn incomes of \$10,000 a year or more.

Nearly two campers out of three live in urban areas. Many are tent campers. Many are recreational vehicle campers. Many are both.

What does it cost to get started?

Well, a backpacker can get a backpack and frame, air mattress, backpack stove, five-piece mess kit, chow kit (knife, fork, and spoon), canteen, waterproof match holder, compass, and first aid kit for \$180 to \$270, Eugene J. Woznicki, president of World Famous Sales Co., estimates.

You can get by for \$10 to \$15 for a small, day backpack, he says.

His company is the largest U.S. distributor-manufacturer of backpacking equipment, although it handles other camping equipment as well.

The Coleman Co., Inc., the biggest U.S. manufacturer of camping equip-

ment, estimates that a family can get into tent-camping for \$286 to \$550.

Those figures include the cost of a tent, four sleeping bags, a cooler, a jug, a lantern, and a stove.

RV campers, according to "Wheelers Recreational Vehicle Resort and Campground Guide," have their choice of 8,435 commercially operated campgrounds in the U.S., and 7,454 operated by federal, state, or local governments.

The campgrounds run in size from about a dozen sites to 3,000.

Myrtle Beach, S.C., with more than 10,000 privately owned campsites, accurately calls itself the "camping capital of the world."

At campgrounds, the guide says, rates range from \$4 a night to \$16. The average, it says, is \$6.50.

Recreational vehicles run in price from about \$700 to upward of \$3,500 for a folding camp trailer with a pop-up tent to six figures for land yachts.

Last year, the Recreation Vehicle Industry Association estimates, campers bought 533,900 RV's worth \$5.3 billion at retail. The total includes 221,800 travel or camping trailers, 160,000 vans, 119,400 motor homes, and 31,900 truck campers.

The average retail price of the bigger motor homes—Type A—was \$26,750, the association says.

Sales, regional representative for several lines of gift items. The Bannisters' hometown is Holly Hills, S.C. But they spend a lot of time in their \$9,000 camper at Myrtle Beach.

They lease their lot for \$650 a year. That includes utilities. They figure it's a bargain. "A place at the beach would cost us \$50,000," says Ed, "a house on the water, \$150,000."

But the Bannisters believe they may have made one mistake when they first came to their campsite.

"We thought it was a pretty big thing to feed the ducks," says Jean. "But do this for two days, then miss one, and see what happens. They start honking at sunup, and if you don't throw them some corn, they'll walk right into the trailer looking for a handout."

Do they feed the alligator, too?

"So far I haven't," says Jean with a laugh. "I still have both feet."

**A**S CAMPERS, the Bannisters began with a tent. So did Bob Miller, "when I started camping 15 or 16 years ago. Then, some friends and I used to go up into the wilds of Wyoming to hunt and fish.

"When I didn't have any money, I blew my wad to buy a silk, six-man tent that weighed nine pounds. Weight was important; we backpacked.

"I went from tent to trailer to motor home."

**B**UT NOT Alvin Olaf Tryggeseth and his wife, Sadie.

When he owned Alvin Realty Co., in Minneapolis, he and his wife were snowbirds who went South every winter to vacation in Florida.

"We used to travel by car," he says, "and stay in motels. We never met anyone all the way down or back. Would it be better, we wondered, if we camped?"



# The Ultimate Tax Shelter



by  
TED NICHOLAS

**T**ax experts are now referring to a small, privately owned corporation as "The Ultimate Tax Shelter." This is especially true since the passage of the Tax Reform Act of 1976. This law makes most former tax shelters either obsolete, or of little advantage. Investments affected include real estate, oil and gas drilling, cattle feeding, movies, etc. These former tax shelters have lost their attractiveness. Aside from that, these tax shelters required a large investment. Only a small segment of the population could benefit from them.

I've written a book showing how you can form your own corporation. I've taken all the mystery out of it. Thousands of people have already used the system for incorporation described in the book. I'll describe how you may obtain it without risk and with a valuable free bonus.

A corporation can be formed by anyone at surprisingly low cost. And the government encourages people to incorporate, which is a little known fact. The government has recognized the important role of small business in our country. Through favorable legislation incorporating a small business, hobby, or sideline is perfectly legal and ethical. There are numerous tax laws favorable to corporate owners. Some of them are remarkable in this age of ever-increasing taxation. Everyone of us needs all the tax shelter we can get!

Here are just a few of the advantages of having my book on incorporating. You can limit your personal liability. All that is at stake is the money you have invested. This amount can be zero to a few hundred or even a few thousand dollars. Your home, furniture, car, savings, or other possessions are not at risk. You can raise capital and still keep control of your business. You can put aside up to 25% of your income tax free. If you desire, you may wish to set up a non-profit corporation or operate a corporation anonymously. You will save from \$300 to \$1,000 simply by using the handy tear-out forms included in the book. All the things you need: certificate of incorporation, minutes, by-laws, etc., including complete instructions.

There are still other advantages. Your own corporation enables you to more easily maintain continuity and facilitate transfer of ownership. Tax free fringe benefits can be arranged. You can set up your health and life insurance and other programs for you and your family wherein they are tax deductible. Another very important option available to you through incorporation is a medical reim-

bursment plan (MRP). Under an MRP, all medical, dental, pharmaceutical expenses for you and your family can become tax deductible to the corporation. An unincorporated person must exclude the first 3% of family's medical expenses from a personal tax return. For an individual earning \$20,000 the first \$600 are not deductible.

Retirement plans, and pension and profit-sharing arrangements can be set up for you with far greater benefits than those available to self-employed individuals.

A word of caution. Incorporating may not be for you right now. However, my book will help you decide whether or not a corporation is for you now or in the future. I review all the advantages and disadvantages in depth. This choice is yours after learning all the options. If you do decide to incorporate, it can be done by mail quickly and within 48 hours. You never have to leave the privacy of your home.

I'll also reveal to you some startling facts. Why lawyers often charge substantial fees for incorporating when often they prefer not to, and why two-thirds of the New York and American Stock Exchange companies incorporate in Delaware.

You may wonder how others have successfully used the book. Not only a small unincorporated business, but enjoyable hobbies, part time businesses, and even existing jobs have been set up as full fledged corporations. You don't have to have a big business going to benefit. In fact, not many people realize some very important facts. There are 30,000 new businesses formed in the U.S. each and every month. 98% of them are small businesses; often just one individual working from home.

To gain all the advantages of incorporating, it doesn't matter where you live, your age, race, or sex. All that counts is your ideas. If you are looking for some new ideas, I believe my book will stimulate you in that area. I do know many small businessmen, housewives, hobbyists, engineers, and lawyers who have acted on the suggestions in my book. A woman who was my former secretary is incorporated. She is now grossing over \$30,000 working from her home by providing a secretarial service to me and other local businesses. She works her own hours and has all the corporate advantages.

I briefly mentioned that you can start with no capital whatsoever. I know it can be done, since I have formed 18 companies of my own, and I began each

one of them with nothing. Beginning at age 22, I incorporated my first company which was a candy manufacturing concern. Without credit or experience, I raised \$96,000. From that starting point grew a chain of 30 stores. I'm proud of the fact that at age 29 I was selected by a group of businessmen as one of the outstanding businessmen in the nation. As a result of this award, I received an invitation to personally meet with the President of the United States.

I wrote my book, *How To Form Your Own Corporation Without A Lawyer For Under \$50*, because I felt that many more people than otherwise would could become the President of their own corporations. As it has turned out, a very high proportion of all the corporations formed in America each month, at the present time are using my book to incorporate.

Just picture yourself in the position of President of your own corporation. My book gives you all the information you need to make your decision. Let me help you make your business dreams come true.

As a bonus for ordering my book now, I'll send you absolutely free a portfolio of valuable information. It's called "The Incom Plan" and normally sells for \$9.95. It describes a unique plan that shows you how to convert most any job into your own corporation. You'll increase your take-home pay by up to 25% without an increase in salary or even changing jobs in many cases. If you are an employer, learn how to operate your business with independent contractors rather than employees. This means that you'll have no payroll records or withholding taxes to worry about. And you'll be complying with all I.R.S. guidelines. "The Incom Plan" includes forms, examples and sample letter agreements to make it possible.

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Camping was much more to their liking, they found six years ago, after buying a Sportscoach motor home and making the migration in that.

"We've made many friends," says Alvin, "that we bump into on the road and in Orlando," where they stay at the Outdoor Resorts of America campground beginning in early winter.

Mr. Tryggeseth bought a lot at the 210-acre resort and now keeps a \$14,500 Holiday Rambler trailer there year-round.

About May, the Tryggeseths drive back home. They sold their real estate firm several years ago, but still have investments in Minnesota. Then they tour up North in their Sportscoach till the snow flies.

**R**. H. (BOB) WYGANT and his wife, Bette, are good friends of the Tryggeseths.

On an early March day, when the weather reports from up North are enough to turn a reader's lips blue,

Bette is in shorts sunning herself on the patio beside their 35-foot Kountry-Aire trailer. Temperature: 72 Fahrenheit.

Bob is the owner and developer of Seawood Estates, Inc., on Prince Edward Island, Canada. The WYGANTS winter at Orlando at the same campground where the Tryggeseths are.

The WYGANTS park their trailer year-round on a lot they bought several years ago. The investment was a good deal, Bob feels.

"We paid \$6,000 for the lot. The trailer, equipped as it is—and we haven't spared for anything—cost \$13,500 when we bought it. So we have about \$20,000 tied up here. Our condominium fees are \$35 a month, and that includes all utilities except electricity. I wouldn't swap it for my brother's \$80,000 condominium on the west coast of Florida."

Lots in this resort, each 35 feet by 65 feet, sell from \$6,000 to \$14,000 for a lakefront site.

What the WYGANTS like most is the camaraderie.

"It's hard to describe," Bob says. "But you get a warmth of friendship when you're camping or trailering that you don't get anywhere else."

On the typical, cheek-by-jowl campsite, of course, survival may demand it.

**S**HELDON COLEMAN, chairman of The Coleman Co., Inc., Wichita, Kans., has made chums, too, by camping. But he has also antagonized—at least once—man's best friend.

His company makes camping equipment of all kinds, which he often tests in the field.

Sheldon admits to having been a camper all his life.

His wife shares his enthusiasm for outdoor activities. But he's not so sure anymore about their Yorkshire terrier, Cactus.

A few years ago, Sheldon and the missus took one of his favorite trips, a hair-raising, pulse-pounding, heart-



Nearly six out of ten campers use a recreational vehicle, rather than a simple tent, at least some of the time when they camp out. RV's run from relatively inexpensive tent trailers (above) to \$200,000 motor homes.



stopping ride through the white water rapids of the north fork of the Salmon River. Sure enough, even with the expert help of their guide, the rubber raft upset, and all plunged into the icy waters.

Mrs. Coleman and Sheldon had life jackets on and soon bobbed to the surface. But not the Yorkshire terrier.

Then Mrs. Coleman spied the half-drowned pet, grabbed it, and hoisted it to her shoulder above the choking spray.

"She saved the dog's life," says Sheldon. "But for three days, Cactus gave us the cold shoulder."

**R**OUGHING IT in the tundra. That could be a chapter heading for one of Sheldon's memorable jaunts.

"I was an invited guest of the I'll Go Club," he says. "They had a couple of Grumman Mallards—flying boats—and we flew way up above the Arctic Circle, not far from the North Pole, to camp and fish."

Ray T. Hickok, a charter member of the club, thinks he remembers that trip. It was before the club bought former Monsanto Co. Chairman Edgar M. Queeny's old converted PBY, a giant amphibian with a wingspan of 104 feet which slept at least 12.

"But we've taken so many trips to the Arctic," Mr. Hickok says. "We've pretty well covered it from Baffin Island to Alaska."

**T**HE I'll Go Club members, in addition to Mr. Hickok, who is chairman of Hickok Industries, Inc., Rochester, N. Y., are:

Willard F. (Al) Rockwell, Jr., chairman of Rockwell International Corp., Pittsburgh; H. J. (Jack) Dow, president and owner of The Dow Co., Minneapolis; Francis J. (Fran) Trecker, chairman of Kearney & Trecker Corp., Milwaukee; Fred Babcock, chairman of Babcock Lumber Co., Pittsburgh; and James E. (Jim) Stewart, chairman and chief executive officer of Lone Star Industries, Inc., Greenwich, Conn.

The club was started when they were all members of the Young Presidents Organization.

How did it get its name? Something like this, as Al Rockwell remembers:

"A guy would get an idea for a trip that sounded interesting and unusual, and as soon as he mentioned it, everyone would say: 'I'll go.'"

The club, sometimes with guests along, safaried in Africa, shot grouse in Scotland, and fished for salmon and hunted Dall sheep in Alaska.

"I don't think there's a country we didn't cover," says Jack Dow.

The PBY was sold years ago, when the new jets made the PBY's lumbering 200 miles per hour seem a snail's pace.

The club camped in rugged, rough country, but it always traveled well.

**A**NYWAY, roughing it is relative, says Gloria Teelander, publisher of "Wheelers Recreational Vehicle Resort and Campground Guide."

To illustrate, she tells a story about the two little boys who met at the pool

in a plush recreational vehicle resort.

"What kind of rig do you have?" asks the first boy.

"We have a little camper," the other replies. "How about you?"

"Oh, we have a big motor home."

The conversation continues, and the boy from the camper asks: "Did you see Bozo the clown on TV the other day?"

"No," says the boy from the motor home. "I don't like to watch TV if it isn't in color, and we just brought along a black and white set."

"We're roughing it this summer." □

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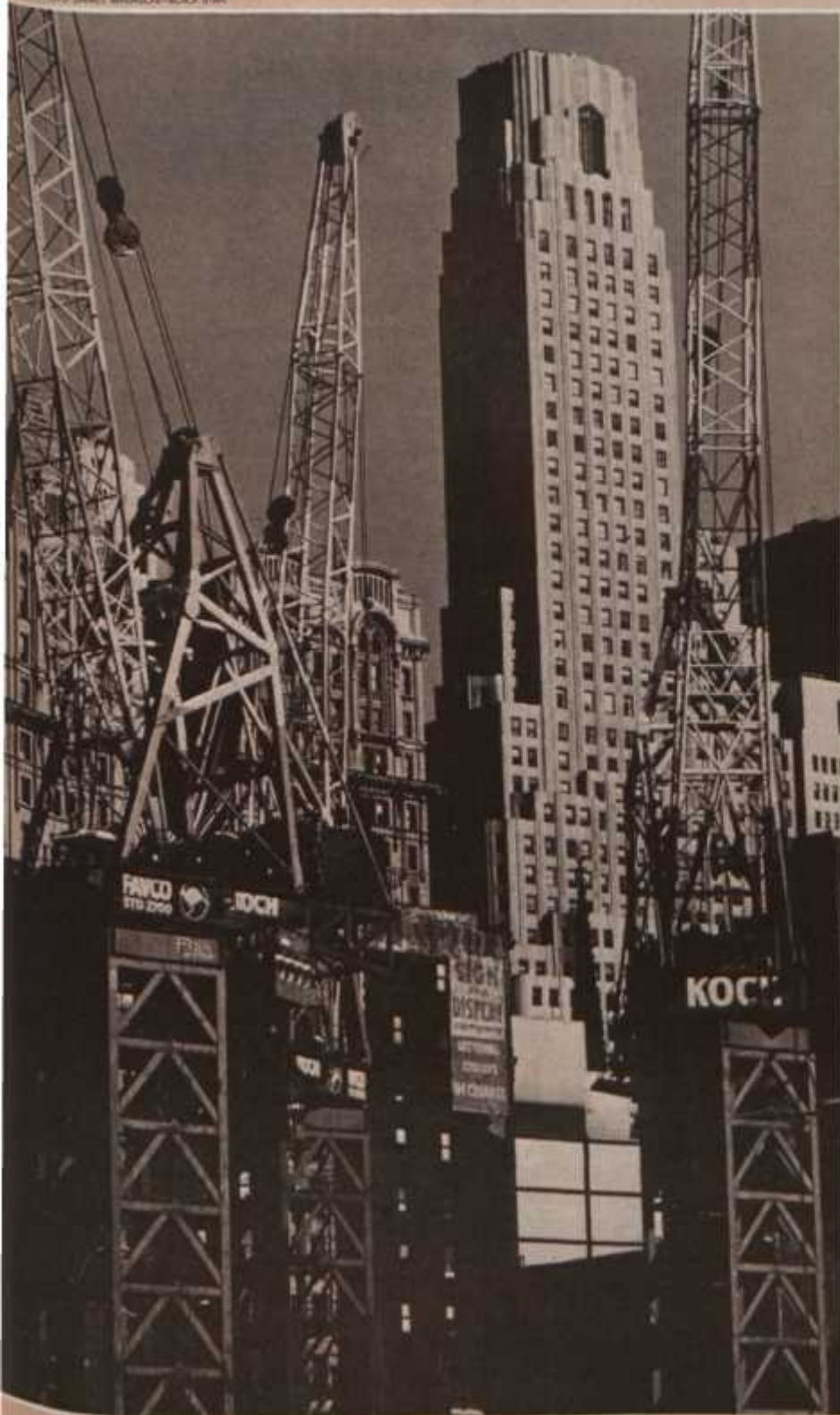
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# CONSTRUCTION:

## Rising to the Challenges of a Changing America

PHOTO: DANIEL WILKINSON-BLACK STAR



While America continues to sprawl into the suburbs, skyscrapers are being built downtown to meet the needs of a growing economy.

## Nation's Business INDUSTRY SPECIAL REPORT



By Michael Thoryn

**A**MONG the first things Sir Walter Raleigh's ill-fated colonists did after landing on Roanoke Island, N.C., in 1587 was to take ax and shovel and start constructing crude homes and a fort.

Colonists and colony disappeared. Only the outlines of the fort's breastworks remain today. But elsewhere in the land now called the United States of America, other colonists and their handiwork survived—treasured testimony to the fact that we are a nation of builders.

Of course, a lot has changed since the first English settlers landed. In those days, there wasn't a bank or savings and loan association in sight, nor were they needed. The materials were there for the taking, as was the land, which could be obtained through bartering with the natives or through sheer firepower.

Now, as any businessman who contemplates building a factory knows, money is the basic ingredient that fuels the construction industry. Materials often come from great distances, and they must be processed; land is dear; government regulations prove costly; and the work force demands compensation in money, backed up by something the early settlers never heard of—fringe benefits.

Crucial factors are the level of savings and how much of the money current flows to construction loans. Construction can be described as the nation's economic yo-yo. When the economy is good, construction booms to accommodate the growth. Last year, for example, home building registered a near-record 1.99 million starts. But when the economy sours, as happened in 1973-74, construction soon nose-dives.

### Second largest industry

In 1977, Americans spent \$171 billion—nine percent of the gross national product—on new construction work, according to Commerce Department figures. Food production was the only industry with greater revenues.

The largest portion of construction



## Construction Forecast: 1978

(in millions of current dollars)

Type of Construction	1978	Estimated Percent Change 1977-78
<b>Private Construction</b>		
Residential construction	86,400	9
New housing units	71,500	9
Additions and alterations	13,500	6
Nonhousekeeping	1,400	27
Nonresidential buildings	31,100	13
Industrial	7,700	8
Commercial	16,700	19
Religious	1,200	9
Educational	700	0
Hospital and institutional	3,500	1
Miscellaneous buildings	1,300	13
Farm construction, nonresidential	2,650	2
Public utilities	21,150	6
Telephone and telegraph	4,700	13
Electric light and power	12,500	10
Gas	2,300	10
Railroad	850	21
Petroleum pipelines	800	-53
All other private	1,200	14
<b>Total Private Construction</b>	<b>142,500</b>	<b>9</b>
<b>Public Construction</b>		
Buildings	14,100	12
Housing and redevelopment	1,300	24
Industrial	1,100	5
Educational	6,200	15
Hospital	1,800	3
Other public buildings	3,700	12
Highways and streets	10,750	12
Military facilities	1,700	6
Conservation and development	4,000	10
Other public construction	11,450	11
Sewer systems	6,100	13
Water supply facilities	1,950	8
Miscellaneous	3,400	10
<b>Total Public Construction</b>	<b>42,000</b>	<b>11</b>
<b>Total New Construction</b>	<b>184,500</b>	<b>10</b>

Source: "U. S. Industrial Outlook," U. S. Department of Commerce

outlays, about 47 percent, went into home building, with the remainder running the gamut from airports to waterworks, from factories to shopping centers.

The 1977 total was 14 percent higher than 1976, and Commerce predicts a rise of ten percent, to \$184 billion, in 1978.

Altogether, the construction industry employs approximately 5.5 million people.

Americans often fail to recognize the vastness of this industry called construction and its contribution to the growth and wealth of America.

The Panama Canal, for example, still ranks as one of the greatest engineering and construction feats in history. Add to this the transcontinental railroads, the Alaskan pipeline, 110-story skyscrapers, and the greatest highway system in the world. Not to mention millions upon millions of dwellings which have made Americans among the best-housed of peoples.

### Billion-dollar categories

Construction is so large an industry that many of the sectors within it are in the multibillion-dollar category. Residential construction, for example, is expect-

ed to total more than \$86 billion this year.

Even supporting industries are giants. Construction this year will consume nearly 40 billion board feet of lumber. Value: \$10 billion. Ready-mix cement will be valued at \$7.75 billion, and other concrete products, \$8.2 billion. The cost of the fabricated steel for buildings and bridges is expected to be around \$5.85 billion. Electrical fixtures will cost \$3.6 billion.

Just the mortgage money involved is staggering. Mortgages—single-family, multifamily, commercial, and farm—increased \$116.2 billion last year.

This year, the total is expected to increase \$123 billion, of which \$93.5 billion will be in single-family and multifamily mortgages, \$19.5 billion in commercial mortgages, and \$10 billion in farm mortgages.

### National problems

As the second largest industry in the nation, the problems of construction become the problems of the nation as a whole. Some of them:

- Energy is a crucial factor today. Buildings consume 35 percent of the nation's energy, so they must be made as energy-efficient as possible. In one effort to achieve this efficiency, the U. S. Department of Housing and Urban Development is developing a standard which is to go into effect in February, 1980. Architects and contractors then not only will have a spending limit for each project, as they now do. They also will have an energy-use limit.

- A national debate is coming on the question of tax incentives to revitalize core cities. And while this city-suburb debate goes on, housing and manufacturing plants are being built along the quick transportation links offered by city-circling beltways and ring roads.

- Last year's 6.5 percent inflation rate boosted the cost of all construction projects.

- Government regulation and overregulation slows the industry's ability to develop new projects.

Government has a pervasive effect on the construction industry, says Aaron Sabghir, director of the Commerce Department's construction and building products division. "There is no single government policy that affects all construction in the same way," he says. "Even if we have the most beneficial government policy toward the housing sector, for example, it does not have the same good consequences for the commercial building sector or sewer construction."



A case in point: Construction of public and private hospitals escaped the cyclical pattern of the industry from 1946 through the 1960's, Mr. Sabghir says, because the Hill-Burton Hospital Survey and Construction Act promised periodic infusions of government assistance.

This, he emphasizes, did nothing for other kinds of construction.

In addition, new development is growing more difficult.

Harold S. Jensen, president of the Urban Land Institute, a nonprofit education and research group based in Washington, says: "Increased regulation has intensified the risk in land development, because that is where most of the new regulation is falling."

Mr. Jensen, a partner in Metropolitan Structures, Inc., of Chicago, adds: "As a result, developers increasingly will seek out sites that were skipped over or bypassed in the heady days when there were fewer issues, sites where the zoning and the community character is set."

### Good year in 1977

Construction had a good year in 1977, buoyed by the boom in housing.

George A. Christie, vice president and chief economist of the F. W. Dodge Division of McGraw-Hill Information Systems Co., says: "Last year, the construction industry really put it all together."

"A plentiful supply of mortgage money sustained the residential boom all the way through 1977. Federal spending gave a boost to public works construction, while general economic expansion supported a solid advance in commercial and industrial building."

The result, the economist says, was a 26 percent surge in total construction contracting—the biggest yearly gain in nearly three decades of cyclical ups and downs.

Mr. Christie predicts the physical volume of construction will sustain the 1977 level this year and next, with 1980 equaling the record volume achieved in 1973.

According to the Commerce Department's "U. S. Industrial Outlook," private residential construction accounted for a majority of the dollar gains in total new construction in 1977.

In contrast to residential's 31 percent gain, other types of private construction rose only 4.5 percent. This year, all are expected to be in the nine to ten percent range.

New housing starts are predicted to be about 1.8 million, although the flow of money into savings and loan associations was down somewhat in 1977 compared to 1976. Home builders are



Low prices have led to larger housing market shares for prefabricated housing (above) and mobile homes.



An inspector (above) checks a Delaware Memorial Bridge cable. About one fifth of the nation's 564,000 bridges are said to need major repair or reconstruction.



A giant crane someday may tower in the vast central court (left) of the 91-year-old Pension Building in Washington. Legislation has been introduced to convert the structure, soon to be vacant, into a National Museum of the Building Arts. Sen. Charles Mathias (R.-Md.) says the building "is an ideal setting for the demonstration and study of American contributions to civil engineering, architecture, the building trades and crafts, landscape architecture, city planning, and urban design." Renovation cost: about \$13.6 million.



## WASHINGTON: Sharper Focus on Urban Development

The Department of Housing and Urban Development and the agencies that preceded it have funneled a total of \$13.7 billion into urban renewal. Half of this, says HUD Secretary Patricia Roberts Harris, has been devoted to economic development activities, including assistance for downtown business district projects, industrial parks, and support for neighborhood business.

Generally, the business aspect of urban development has received kudos, but the record of urban housing achievement is not comparable—HUD has become the nation's largest slumlord.

A year ago, more than 1,300 HUD-insured multifamily projects, housing more than 150,000 families, were in financial difficulty. Today, Mrs. Harris says, HUD is attacking that problem through closer management and is asking for \$74 million in additional operating subsidies. Also, the department is requesting funds in fiscal '79 to provide rental assistance for 400,000 housing units and for 300,000 assisted housing starts. The latter figure, Mrs. Harris points out, represents a sixfold increase from 1976.

While HUD's major emphasis will continue to be on housing, particularly for low-income urban dwellers, other areas of urban development are slated for more attention and federal resources.

In 1977 the basic block grant legislation was amended to broaden eligibility for economic development



HUD Secretary Patricia Roberts Harris is pressing for urban revitalization.

activities. Cities now have broad latitude in the kind of activities they can undertake with federal funds in business assistance, acquisition and improvement of commercial structures, and development of comprehensive economic development programs.

"The most significant change in that legislation, however, was the creation of the Urban Development Action Grant Program," Secretary Harris told the economic development committee of the U. S. Conference of Mayors last January in Washington.

In the fiscal '79 budget, that program is to receive \$400 million in addition to \$3.75 billion for the Basic Community Development Block Grant Program. One fourth of the \$400 million has been set aside for small cities. In all, HUD's budget request is for nearly \$11 billion.

In addition to the grant programs, HUD has adopted a policy of guaranteeing loans for acquisition of real

property and for rehabilitation of publicly owned real estate. The department will arrange to sell communities' notes directly to the Federal Financing Bank.

"A new source of credit has been opened to cities which have experienced difficulty in obtaining financing for large-scale projects," Mrs. Harris notes.

She says revitalization of central cities is the keystone of the new federal urban policy announced by President Carter late in March. "Given the cities' vast capital investment in existing buildings and in transit systems, water and sewer lines, and so forth, it makes cold economic sense to reinvest in and restore the cities," she says.

One method Mr. Carter proposed is to establish a National Development Bank, which would lend a private firm up to 75 percent of its capital needs "to locate, expand, or remain in economically distressed places."

Also on the Washington scene, unions will continue to be a problem for the construction industry, although the defeat of the common situs picketing bill last year obviously grievously wounded organized labor. The construction industry is a very active part of the business coalition, headed by the Chamber of Commerce of the United States, to defeat the so-called labor law reform bill that passed the House last fall and is awaiting action in the Senate.

There is one Carter administration proposal, however, that does get enthusiastic industry approval—a permanent ten percent investment tax credit. This would make businesses more willing to invest in new or modernized facilities.

concerned about the availability of mortgage money. Michael Sumichrast, vice president and chief economist of the National Association of Home Builders, says: "Yellow lights are flashing in the money market. The flow of new deposits to thrift institutions has slowed drastically. It is likely sales will taper off before savings and loans find substantial sums of new money."

Generally, however, financing was not a problem in 1977, with residential mortgage funds available at around nine percent interest. Nor does there seem to be widespread fear that the credit market will dry up and send construction into a

tailspin. James J. O'Leary, vice chairman of United States Trust Co., New York, and a mortgage market expert, says he doesn't anticipate a credit crunch, but he predicts short and long-term interest rates will rise one to 1.25 percent and 0.55 to 0.75 percent, respectively, by the end of 1978.

### Record housing prices

Rising housing costs are another concern to home builders. Fueled by wage increases, soaring land prices, and an overall 15.3 percent rise in the cost of supplies such as lumber, concrete, and insulation, the prices of both new and

existing homes rose to their highest levels ever in 1977.

Two high-flying segments of nonresidential construction now are office buildings and pre-engineered metal buildings. However, some firm answers are needed before other segments of construction move ahead with confidence.

S. Peter Volpe, immediate past president of the Associated General Contractors and president of Massachusetts-based Volpe Construction Co., Inc., says: "A lot of investors are scared right now. Until the government comes up with a reform tax package, many people with money to invest are going to hold



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The \$150 million Citicorp Center (below) may serve as a cornerstone for a midtown building surge in New York City.



PHOTO: ALLEN GREEN—PHOTO RESEARCHERS, INC.



Construction of billion-dollar nuclear power plants such as the one above can take as long as ten years.



PHOTO: J. M. PICKERELL—BLACK STAR

Sun power will play a growing part in supplying energy needs. There's a boom in solar-powered houses (above).

A Raymond International, Inc., rig installs concrete pilings in the Arabian Gulf. Overseas construction by U. S. firms topped \$11 billion in 1977.





## OFFICE BUILDINGS: The Seesaw Is Going Up

Nowhere is the cyclical nature of construction more evident than in the current surge in office building construction.

Tight money and double-digit inflation slowed development in 1974 and 1975 while expanding tenant space needs chipped away at a space glut in such cities as Chicago, New York, and Atlanta. The development slowdown didn't end until last year.

Now space is tight just about everywhere for firms with 50 or more employees. Multimillion-dollar high-rise projects are breaking ground throughout the country, with large percentages of space already leased. Rents in new buildings range as high as \$15 to \$17 per square foot in New York City and \$11.50 to \$13 in Washington, D. C.

The Commerce Department predicts the value of new office buildings that open this year will total \$16.7 billion—a 19 percent rise over last year's total which, in turn, was ten percent above the 1976 total.

Jack L. Dierdorff, president of the Building Owners and Managers Association

International, a Washington-based trade association representing the high-rise industry, says a BOMA survey shows that high-rise office building occupancy rates are rapidly reaching a healthy 90 percent and above in all regions.

One strong trend in the office building industry is rehabilitation of aging but sound buildings. The Nation's Interior Contracting Organization, a rehabilitation firm with 14 offices, says that rehabilitating a structure costs about 50 percent less than tearing down and building anew.

In 1970, NICO began a total rehabilitation of the 44-story Chicago Board of Trade. NICO reclaimed 110,000 square feet of unused space in a floor-by-floor process, converted the building to all-electric, and double-decked the trading floor without disrupting the traders.

Major concerns for the office building industry during the next few years will be energy costs and taxes.

The administration's energy bill, if passed, would help existing office buildings finance energy conservation expenditures through a ten percent tax credit. This would come on top of the existing ten percent investment tax credit, so there would be a substantial 20 percent tax credit, in

all, for energy conserving measures.

Peter Back, acting director of the Energy Department's Residential and Commercial Buildings Program, says building owners have been reluctant to spend large sums to save energy because only the tenant gets full benefit, "and no owner will invest in conservation measures that cannot be amortized."

BOMA members, who have reduced energy consumption by more than 25 percent since 1973 using low-cost methods, such as lowering thermostats and turning off lights, will be working with the Energy Department to develop guidelines for rent-increase escalator clauses that are fair to both owner and tenant.



Merchants Plaza, at the center of Indianapolis, combines a 500-room hotel and two office towers in a giant, multipurpose building.

off. They want to know if they will have depreciation write-offs and what the line will be on interest rates."

Nonresidential building construction has been relatively weak since the recession year of 1973. Last year, for example, current dollar outlays increased only at the same rate as inflation. Now the Commerce Department forecasts an improvement. The department says physical volume will increase six to seven percent in 1978. This increase, however, will not be across the board.

### Unused plant capacity

Industrial construction, which dropped in 1977, isn't expected to rebound in 1978 because there is a great deal of unused capacity still on hand in present plants.

One reason for the excess capacity: Many newer plants, because of design, are more productive.

Elsewhere, the picture is brighter. Good gains are seen for stores and shopping centers, religious buildings, and public construction. Normally, store

and shopping center construction reflects the growth in residential construction, but this hasn't been the case since 1973-74. Last year, these categories posted only a modest three to four percent increase, but the Commerce Department predicts a robust ten to 15 percent increase this year.

Public construction, the second largest dollar-value category in the overall industry, is predicted to increase 11 percent in 1978, after two flat years.

As the nation's 42,500-mile interstate highway system nears completion, highway users and builders see a need for a long-term rehabilitation and maintenance effort.

Peter Koltnow, president of the Highway Users Federation for Safety and Mobility, a broad coalition of highway interests, says: "Today's need is not for more road mileage, but for resurfacing, restoration, and rehabilitation for the mileage we now have. Simply to maintain the status quo will be an enormous and continuing task."

However, many urban stretches of the

system are glutted with traffic and need expansion, which in the years ahead should signal a resurgence of construction.

The Commerce Department predicts a 12 percent highway construction gain for 1978, but says that increase is related to the temporary impact of funds from the Public Works Employment Act of 1977.

### Short-term outlook

The department's short-term outlook for the construction industry calls for an actual three percent increase, compounded annually, in new construction over the next five years. The forecast:

- Housing starts should be about 2.15 million annually by 1982 with around two thirds being single housing units.
- Sewer, water, mass transportation other than highways, and energy-related projects will be the fastest-growing categories.
- More use of prefabrication technology is anticipated because of continually rising costs of labor.
- Energy conservation will become a



## METAL BUILDINGS: Pre-Engineered Structures Are Making Huge Strides

Metal buildings have come a long way from their predecessors, the sometimes leaky, curved-wall Quonset huts of World War II.

By V-J Day, these easy-to-erect structures, which got their name from the Quonset Point, R. I., navy base where they were developed, had sprouted throughout the Pacific islands.

In the postwar years, the Quonset became a civilian. Adding technical advances to the basic concept, the booming metal building industry since then has posted notable gains in both sales and aesthetics.

The Metal Building Manufacturers Association, a trade association based in Cleveland, estimates 1978 sales at \$933 million, up from \$830 million in 1977, and a huge jump from \$291 million in 1970. Actually, metal buildings accounted for an estimated \$4.2 billion of construction in 1977, because the factory-fabricated part of these structures represents an average of 20 percent of their total cost.

The association defines a metal building as one in which components are designed and produced in a fac-

tory, then assembled at the construction site.

R. J. Atkinson, MBMA chairman and manager of the buildings division of Butler Manufacturing Co., Kansas City, Mo., says thermally efficient, pre-engineered metal buildings account for about 55 percent of the total single-story nonresidential market. That includes farms, factories, stores, municipal buildings, schools, offices, and warehouses. In 1963, he notes, the figure was 20 percent.

The metal building industry is doing so well that Lon Shealy, president of Star Manufacturing Co., Oklahoma City, says: "The industry will help the U. S. balance-of-payments problem. Our foreign markets are expanding."

However, Mr. Shealy pinpoints problems such as the rising price of steel, up about 90 percent since 1973, and the stifling effect of government regulations.

Due to regulatory problems, "It probably takes twice as long today as in 1970 to design and construct a building," he says.

On the plus side, Mr. Shealy says the Occupational Safety and Health Administration has been more sensible in its regulation in the past few months. But what would really make him happy would be "action by Congress to expand the investment tax credit to cover new structures. That would be the impetus needed to really get things going."



This Union Carbide plant in Theodore, Ala., was built in just nine months by Armco Steel. Metal buildings are taking a growing share of the single-story nonresidential market.

major factor in the design of all types of construction.

Other experts contacted by NATION'S BUSINESS predict America's age mix will have a major impact on construction in the years ahead, as will land costs. They also predict there will be increased consideration of the costs of operating a building during its life and say there will be more rehabilitation of aging structures, more mixed-use developments, and more smaller-scale developments.

A hefty construction schedule in health-related fields such as homes for the elderly is likely because of our aging population, Mr. Volpe says.

### More apartments

He also says there will be more apartments—"to spread development costs over more units on less land"—and much building of sturdy, energy-efficient structures that may be more expensive initially but will be cheaper to maintain.

Mr. Sumichrast notes that, by the year 2000, approximately 35 percent of the U. S. population will be 45 and over and says this group might opt for more apartments and clustered housing.

But the single-family home is still the American dream, says Mr. Sumichrast. "The trend to the suburbs should moderate but I don't see any concentrated movement back to central cities."

And a new trend for older structures is evident.

Mr. Christie says rehabilitation work in nonresidential construction has doubled in the past five years, mostly in schools, hospitals, and religious buildings. Rehabilitation of aging but sound office buildings is also growing.

### Changing philosophy

Mr. Jensen, of the Urban Land Institute, thinks developments in the years ahead will be smaller. "Developers are wary of taking on projects that are apt to span long economic and political cycles," he says. "They are seeking opportunities where they can be in and out in two or three years."

He thinks cities will favor mixed-use developments because "cities are sensitive to their downtowns dying at 5:30 in the evening. By mixing hotel, stores, and offices in one structure, you extend the activity day so you don't have washed-out areas in the evening."

Albert Sussman, executive vice president of the International Council of Shopping Centers, says undeveloped market areas for giant shopping centers are disappearing. "Increasingly, developers are reinvesting their money in existing centers, enlarging them, enclosing



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them, remodeling them," he observes.

Developers are also studying maps and identifying communities bypassed in the first rush of development. And a sizable proportion of new shopping center starts are in middle-sized cities and towns where somewhat smaller malls are being built.

### How buildings will look

Buildings in the next 20 years will look much the same, but the glass-box office building is a thing of the past, says Elliot Wilbur, manager of the housing and construction group at Arthur D. Little, Inc., a management consulting firm.

"It doesn't cost more to make a building energy-efficient—you put more money in the walls and roof and less in the heating and ventilating systems." Energy-conserving features pay for themselves over time, Mr. Wilbur asserts.

An expert at the National Bureau of Standards specializing in architectural innovation, Porter Driscoll, says one idea that is becoming popular is deeply recessing windows to create a layer of still air immediately outside. This helps the windows resist the transfer of heat.

Other features that will be more common in the years ahead:

- Rooftop solar collectors.
- Windowless northern walls.
- Skylights to cut the need for artificial lighting.
- Underground buildings. The American Institute of Architects says that "a

strong movement is spreading to put more buildings within rather than on top of the earth."

### A plethora of standards

Because buildings consume so much energy, a rainbow of groups is working on efficiency standards for new and existing structures.

The most important standard will probably be one on energy performance that is being developed by HUD's division of energy, building technology, and standards to go into effect in 1980.

David Rosoff, who is responsible for developing the standard, says: "It will affect every new habitable building in the U. S. We are not issuing a building code; we are issuing a goal that the designer, usually an architect, must achieve."

Besides the HUD effort, many code-writing groups and regulatory agencies specify what can and can't go into a building. Three independent, regionally based model code groups write comprehensive codes which are usually adopted by major cities without revision. The National Association of Home Builders has contributed thermal performance standards for new homes.

Much more than energy use is involved in all this. The Environmental Protection Agency, for example, has issued clean air standards for new construction.

To try to bring some order to the wel-

ter of codes and regulations, Congress has funded the National Institute of Building Sciences to be "the single authoritative, nationally recognized institution to evaluate new technology and aid its acceptance at federal, state, and local levels."

David S. Miller, NIBS vice chairman, says the institute will try to keep major model codes up-to-date and responsive. "NIBS is encouraging more uniformity in building codes," he adds.

### Consistent policy needed

Boom years followed by bust years—that has been the history of the construction industry. To smooth out the steep rises and falls, the industry needs a consistent and comprehensive policy from Washington.

Soon after she took office, HUD Secretary Patricia Roberts Harris said: "The stop-and-go approach to housing policy creates a roller coaster effect in the housing market and hardship on low income families." She vowed that HUD would produce consistent and predictable programs.

Real consistency from the entire federal government over a five or ten-year period would go a long way toward assuring a construction industry ready to supply the energy-efficient homes and workplaces the nation needs. □



To order reprints of this article, see page 34.

## INSULATION: "Energy Ethic" Spurs Rapid Growth

The "energy ethic"—trying to make new and existing structures as energy-efficient as possible—will play a major role in determining which construction industry suppliers experience the best growth in the next five years.

Insulation manufacturers can expect compounded growth of 11 percent per year through 1982, says Ronald Levy, an Arthur D. Little, Inc., senior staff analyst. Manufacturers of environmental controls—from thermostats to complex automated systems that control energy usage, building security, and fire safety—should have a three percent real annual growth rate, he says.

Another promising area is the market for energy-use surveys and energy-management services for buildings, a market which will be attractive for small firms with technical expertise.

In the insulation industry, manufacturers have greatly expanded production.

For example, Owens-Corning Fiberglass Corp., Toledo, the largest fiberglass manufacturer, doubled its production capacity between 1971 and 1976, and will add 35 percent more by 1979. CertainTeed Corp., a major fiberglass manufacturer based in Valley Forge, Pa., will double its 1976 capacity by 1981. CertainTeed predicts 3.8 million existing homes will add insulation this year.

Richard E. Trumbull, vice president of Owens-Corning's residential and commercial insulation marketing division, says: "In 1977, more than seven million homeowners added to their

insulation compared with 2.5 million in 1976."

According to Mr. Trumbull, home builders are responding to buyer demands for the energy cost savings that insulation brings. "Owens-Corning predicts that, by 1980, the amount of insulation in new homes will average more than 900 pounds—up significantly from the 480 pounds installed per home in 1967," he says.

Department of Energy figures confirm the boom. One official says the value of fiberglass shipments jumped from \$165 million in 1970 to \$471 million in 1976. Cellulose insulation—shredded paper treated with fire retardant chemicals—leaped from \$10 million to \$65 million in the same period.

Mr. Trumbull observes, however, that the limits of the market for insulation in existing buildings "may be approaching much faster than we anticipated, particularly at today's levels of activity."



PHOTO: FREDERICK M. MERRISON



## Investor Is Stuck on Stamps

Barry Marcus is quite frank about investing in rare stamps. "There is some degree of risk," he says, "but we have made a great deal of money, and it is nothing compared to what we will make in the next five to eight years. We have literally doubled the value of some investments."

Such braggadocio becomes plausible as Mr. Marcus describes the background and operations of the Philatelic Growth Corp. of America, of which he is founder and president. Based in New York City, PGCA was set up last July. It is an outgrowth of a project Mr. Marcus undertook to find new and more profitable ways of investing.

"There is a huge amount of disappointment and disenchantment in the investment field because of inflation and a sluggish economy," says Mr. Marcus. "I had collected stamps as a boy and had started buying again, really good stamps. The prices were always going up."

Rare stamps are usually sold privately or at auction. After in-depth digging into old auction catalogues and detailed dialogues with dealers and collectors, Mr. Marcus decided that rare stamps could provide an investment portfolio that would be immune to price fluctuations and that would outperform traditional stocks, bonds, and mutual funds.

"It's the old story of supply and de-



Barry Marcus... philatelist at work, equestrian at play. He buys fine steeds as well as stamps like this upside-down Lincoln plate block valued at \$20,000.

mand," says Mr. Marcus. "There are 25 million stamp collectors in the United States, from the nine-year-old boy with a \$5 beginner's book to the 96-year-old ex-mayor in New Jersey with a fabulous special delivery collection. There are only so many really valuable stamps—only those printed before 1930, because after that stamps were mass-produced—and the number of people wanting them is increasing."

Besides the scarcity factor, what attraction is there in dinky little pieces of paper? "Each to his own," says Mr. Marcus. "Some people think Georgian houses are fantastic. Some collectors might be tempted to kill for certain extremely rare stamps, say an 1867 one-cent Blue Z grill, which sold for around \$90,000 last year."

Mr. Marcus credits the U.S. Postal Service with playing a large role in a recent growth of interest in philately. The Postal Service, so often in the red financially and red-faced managerially, has actually turned sales to stamp collectors into a profitable pursuit—\$78.6 million in 1977.

"You see, the Post Office cannot make any money delivering the mail," says Mr. Marcus with masterful understatement. "It costs only pennies to print a \$13 sheet of 100 stamps, but if the Post Office has to deliver a letter for every one of those stamps, it really loses money."

"The Post Office set up a philatelic division which encourages, through advertising and promotion, stamp collecting—sheets, first-day covers, special issues. As investors, we won't touch any of this because it is much too speculative. But the more collectors there are, the more people will want to buy really good stamps."

PGCA has compiled a 50-year growth chart of 100 rare stamps that shows their increasing value through the Depression, World War II, the Korean and Vietnam conflicts, the 1970's recession, and double-digit inflation. The firm also has computerized the buying and selling of individual stamps. The firm will put together a portfolio for an investor—a minimum of \$5,000 is necessary to ensure a balanced spread—and act as dealer and adviser in buying and selling.

"It is a little unbelievable," Mr. Marcus concedes. "But overall there is a steady, 20 to 40 percent return on our portfolios. An investor for whom I bought a Zeppelin first-day cover for \$2,000 saw that stamp sell for \$2,900 at auction two months later. When you see it happening, it is not unbelievable." •

## Vacancy? Call the Executive Matchmaker

Lester B. Korn is a high-class headhunter. He doesn't lurk behind the palm fronds in prestigious hotel lobbies, poised to snare a senior manager weary of the chief executive's beck and call. Nor does he dangle verbal enticements over the telephone to an exasperated executive whose directors have just undermined the research and development program.

Instead, Mr. Korn will be found, by invitation, in the offices of topflight corporations, discussing the particular positions those firms want to fill. Mr. Korn, who left the big accounting firm of Peat, Marwick, Mitchell & Co. at an age when



most people are still angling for the first big promotion, is co-founder, president, and chief executive officer of Korn/Ferry International, one of the world's largest executive search firms.

"Executive search firms are a world apart from employment agencies and job advisory consultants," says Mr. Korn. "They do not work for individuals. They are retained by corporations and governmental bodies which pay the fees. We have 16 offices around the world, and we concentrate on executives earning \$50,000 or more a year, mostly more."

After 17 years of personnel management, Mr. Korn has a definite mind-set on matching people to positions. "It's a science," he says, "and because it's a science, we have computerized our operations and set up specialized divisions in energy/petrochemical, finance, real estate/construction, and health to deal with the changing needs and growth patterns of modern international management."

Fed into the K/F computer are suitable resumes culled from the hundreds that come into the firm's offices daily.

"All too frequently, resumes are oblique," says Mr. Korn.



Lester Korn... matchmaker magnate.

"The ideal resumé should be one page and to the point: What you have done, what you are capable of doing, what you want to do in the next five years. Think of yourself as a computer receiving the information. Your resumé has to click and pop out of the computer when certain job coordinates are programmed in."

What about promoting from within? Doesn't executive search negate that method of rewarding talent?

"One of the first questions we ask a client is why there aren't inside candidates for the position," says Mr. Korn. "Most jobs are filled from within. Only 25 to 30 percent of the key vacancies are filled from outside. I happen to believe that promoting from within is the best way, but it isn't always possible."

Sometimes the best inside candidate simply does not have the experience or background a company believes it needs. Other times that candidate does not want to relocate. A growing obstacle to moving executives about like backgammon pieces is the two-career family.

"We are rapidly moving toward the two-career family unit," says Mr. Korn. "The likelihood of two careers being uprooted at the same time for similar advancement is very remote. This is going to inhibit mobility and make it more difficult for corporations to juggle their talented people."

As for minorities, Mr. Korn believes there is far less prejudice in the executive suite than the public perceives. "Based on my experience," he says, "it gets down to who has the background,



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who can do the job, who has the successful track record."

While advancement may be based on experience, visibility, and opportunity, Mr. Korn admits that the other side of the coin is acquiring the education and experience to make a track record. Affirmative action programs are helping women and minorities in this regard, he says.

"I realize a lot of business people consider these programs an intrusion on their freedom," Mr. Korn says. "I am quite conservative by nature, but I believe that, over the long scheme of things, the social benefits of affirmative action will outweigh the forms that have to be filled out and the inequities that occur." •

## Why a Young Lawyer Is Going It Alone

David (Mac) Estabrook might have been an actor—he admits he likes to show off. But instead of the stage, he chose the courtroom. Mr. Estabrook belongs to

that endangered species of legal eagle, the solo practicing attorney. He practices in the courts of Arlington, Fairfax, and Alexandria in Northern Virginia, where he was born and grew up.

"I graduated from law school in December, 1976, (Columbus School of Law at Catholic University in Washington, D. C.) and was licensed to practice on April 28, 1977," says Mr. Estabrook. "I opened my office in Northern Virginia four days later and registered on the lists of lawyers available for court assignments to cases. I wanted to get into a courtroom right away."

Mr. Estabrook sublets his office from a law firm which supplies him with secretarial service by the hour, a copying machine, a postage meter, and a library. "It took about \$500 to get set up," says Mr. Estabrook, "and my overhead runs about \$400 a month."

**"The big problems of starting a solo practice are administration and experience, the former because you have to do all your own bookkeeping, filing, and billing, and the latter because you have none. But there's a big plus—freedom."**

The courtroom scene is a lot like the theater, says Mr. Estabrook, "which is

PHOTO: ELIZABETH J. CHERNOFF



David Estabrook . . . solo lawyer.

why I like it. You can always tell us inexperienced attorneys in court. We sit there and hyperventilate. The court is usually trying to get through 80 cases in a morning. That's about a minute and a half per case.

"Most are uncontested, of course, but when you open your mouth, you had better not shut it until you've said everything about your case you want to say. If you hesitate a minute, you'll find the judge has ruled. The case is over." □



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## Why There's Resistance to Government Programs

POLITICAL RHETORIC frequently leans heavily on the implied assurance that government can insulate individual citizens from economic reality.

Many of our most pressing national problems will not be solved until that kind of simplistic nonsense is eliminated from public debate over ways to deal with those problems.

But the old ways often die hard. Too many officeholders and office seekers are unable to resist the temptation to talk about more government benefits and services, but not about taxes and inflation; about low-cost energy supplies, but not about capital needs for exploration and production; about reducing unemployment, but not about encouraging industrial expansion; about regulation of business, but not about the higher consumer costs that follow such regulation; about price controls, but not about the fact that such controls have never worked anywhere.

That kind of one-sidedness continues, unfortunately, to figure in some of the important debates in Washington at present.

Many members of Congress, for example, are searching for a formula that will enable them to preserve Social Security system benefits that go up automatically with the cost of living and at the same time to keep the system solvent and minimize the political repercussions from the tax increases necessary to achieve those goals.

Members of Congress should recognize that there are no solutions that will be both politi-

cally and financially sound. They should also realize that their difficulties with Social Security are really only a small part of a much larger problem.

As costs of government programs continue to escalate, taxpayer resistance will also continue to grow. At some point, both our elected officials and the taxpayers must recognize the long-range tax impact of the whole panoply of government benefit programs. Only then can intelligent decisions on the future of those programs be made.

Energy is another area calling for realistic attitudes.

An inordinate amount of congressional debate on a national energy policy has focused on the claim that the nation can have both price controls on natural gas and increased production of that fuel.

Those who make the claim fail to recognize, of course, that price controls negate incentives to increased production.

While the price control debate continues, the country becomes more and more dependent on foreign energy supplies.

Given enough time, the lawmakers could find themselves debating the wisdom of price controls on nonexistent natural gas supplies. Such a development is not impossible when political rhetoric replaces economic reality.

Our national problems are serious and complex. Solving them will not be inexpensive or easy. Those in public life who claim otherwise are only making those problems worse. □

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